ETHEKWINI FURNITURE CLUSTER

ETHEKWINI MUNICIPALITY

# 2022

# ANNUAL REPORT

# THANK YOU!

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 4 years

ETHEKWINI FURNITURE CLUSTER

ETHEKWINI MUNICIPALITY

# CONTENTS


05
Letter From the Chairperson

07
Letter From eThekwini Municipality

08
Our Year In Review

10
Impact & Highlights July 2021 - June 2022

20
Shining a Spotlight On Our Accelerator SMEs

24
Cluster Management

25
The Executive Committee

26
Governance and Compliance

27
Member Listing

28
Our Partner, eThekwini Municipality

29
Cluster Facilitation and Contact Information

30
Audited Financial Statements

# INTRODUCTION

## REPORT SCOPE

The annual report for the financial year ending June 2022 is an integrated financial and progress report. The eThekwini Furniture Cluster (EFC) is a public-private partnership (PPP) between government, industry, and other stakeholders. The cluster is formally established as a Not-For-Profit Company, overseen by an industry-led Board of Directors and elected Executive Committee. The report considers financial, economic and programme performance and is available on the EFC website (www.furniturecluster.org.za), where additional information pertaining to the cluster may also be accessed.

## BACKGROUND TO THE EFC

The EFC is a not-for-profit initiative jointly established by the government and industry in August 2018 by the eThekwini municipality, with the primary objective to boost the competitiveness of the local furniture sector in KZN. The EFC is an industry-driven initiative, drawing on the leadership and expertise of individuals from a broad range of member firms.

The EFC delivers its services through 6 main programmes;

1. Design & Innovation – developing the design and innovation capabilities of the industry.
2. Skills Development – enhancing the production capabilities of manufacturers through technical and business skills.
3. Market Access - generating linkages between local manufacturers and consumers.
4. Manufacturing Excellence – facilitating operational improvements through diagnostics, peer-learning and best practices.
5. Business Incubation – supporting SMMEs access market and upgrading according to customer requirements
6. Cluster Management – enabling effective strategy alignment, marketing and reach of the Cluster through proactive stakeholder engagements and communications.

## VISION, MISSION AND OBJECTIVES

The cluster's vision is to create competitive South African furniture value chains operating in alignment with international best practices. To support the “return to growth” recovery in the furniture value chain and the objectives of the Furniture Industry Master Plan, the Cluster's 3-year strategic objectives are to (1) unlock commercial opportunities based on the local value proposition and (2) support local suppliers to upgrade their people, product and processes to meet this demand.

The EFC aims to achieve the attainment of world-class value chain standards and socio-economic transformation for all member firms through collaboration, knowledge sharing, skills development, benchmarking, and individual firm improvement.

# LETTER FROM THE CHAIRPERSON

**Lumka Sibanyoni**

Chairperson

I am pleased to present the eThekwini Furniture Cluster's Annual Report for 2021/22 as we reflect on our impact over the last financial year.
This financial year, the eThekwini Furniture Cluster went from dealing with the aftermath of the COVID-induced shut down, restart and constrained economic climate to the effects of the civil unrest and the 2022 flooding in KZN. We faced these unique challenges head on, with determination to build back better.

Our response to these unique challenges were guided by data, with the cluster responding quickly to understand the impact of the civil unrest and flooding through surveys and firm-level engagements. Through this, we were able to gain a strong understanding of the assistance required and with our partners, eThekwini Municipality, share resources and information to potential relief avenues.

During the EFC's 2021/22 financial year, the furniture sector experienced a 9% increase in manufacturing production volumes, likely a continuation of the homebody economy demand trend seen in the previous financial year, with projections predicting 4% overall growth over the next 3 years.

Within this context of both opportunities and challenges, our members remained committed to growth, transformation and skills development. I am pleased to report on our impact.

## SME DEVELOPMENT

We welcomed the establishment of the Small Business Accelerator in August 2021, a programme created to offer an opportunity for high potential SMMEs in KZN to demonstrate their potential to large customers in the furniture industry. With a focus on linking innovative products and services to larger markets, it aimed to fast track the growth of innovative businesses driven by passionate South Africans. 5 SMMEs earned an opportunity to present themselves to the business accelerator's Dragon's Den, a competitive opportunity to showcase themselves to lead firms. 3 of these firms won cash prizes and all received cluster membership.

Most importantly, our programme resulted in 7 commercial commitments being secured between SMEs and lead firms, with 66 new jobs estimated to be created from these commercial opportunities.

## SKILLS DEVELOPMENT

I am especially pleased to announce that in the last financial year we enabled the training of 39 people on technical, lean manufacturing and leadership programmes. In the year ahead we remain committed to supporting furniture skills development sector to improve competitiveness and opportunity within the sector.

## SHARED LEARNING

Our online and in-person shared learning sessions are a foundational component of our cluster as we seek to learn from global and local best practice both from within the furniture industry and beyond- such as the automotive, chemicals and clothing industries. In the last financial year we held 17 sessions, bringing together over 500 representatives from across the manufacturing industry.

## FINANCIAL POSITION

The cluster continues to maintain a healthy and sustainable financial position, as well as compliance with all applicable legislation. The EFC is proud to have achieved an unqualified audit outcome.

Lastly, the successes enjoyed by the EFC would not have been achieved without the commitment, input and support of our public partner, eThekwini Municipality's Sector Programmes Unit. My thank you to the eThekwini team for their continued support in our localisation and transformation agenda.

A special vote of thanks to the Executive Committee for their continued commitment to the cluster through the last financial year. Your leadership and insight over the last year has been invaluable and a testament to your passion for this industry and its potential.

To our members, thank you for continuously engaging with the cluster's programmes and your work to create a dynamic furniture industry. As we look ahead, the EFC remains committed to supporting our members and the broader furniture industry as we work to build a growing, transformed and sustainable sector.

# LETTER FROM THE MUNICIPALITY

Despite the unexpected challenges faced by the South African furniture industry in the past year, the sector represents a significant opportunity to create value and employment in the local economy.

The exemplary collaborative approach taken within the cluster to respond to the KwaZulu-Natal unrest and floods earlier this year must be commended. This showed the cluster's commitment to supporting the sector, even in the face of adversity with its primary focus being small to medium enterprises (SMEs). The Business Accelerator, one of the cluster's key programmes, has connected black industrialists with new customers who are looking to localise and diversify their sourcing away from unreliable imports. Some of the key impacts of the Accelerator over the course of just the last year can be summarised as follows:

- 5 SMEs were exposed to retailer standards and supported on communication and pitch development skills to facilitate market access opportunities with large customers.
- 7 commercial opportunities are secured between large customers and SMEs, this means that some SMEs received more than one commercial opportunity.
- 4 SMEs were provided with upgrading support including mentorship from an industry expert, skills development through a team leader, and emerging leader development programme, and business case development to further present their value to potential customers.
- 5 SMEs were granted eThekwini Furniture Cluster (EFC) membership and access to cluster resources, including skills development, industry peer learning events, knowledge library, and industry news.
- 66 jobs were created through these commercial opportunities.

EThekwini Municipality would like to reaffirm its support to the EFC and looks forward to working with the furniture industry to drive transformation and localisation through the implementation of its programmes in the next financial year. We also consequently welcome the EFC's ratified business plan and strong compliance status. Together, we can continue to grow furniture manufacturing sustainably.

Cllr Thanduxolo Sabelo

Ethekwini Municipality
Economic Development & Planning
Committee (ECOD), Chairperson

# OUR YEAR IN REVIEW

**JULY 2021**

New EFC financial year launched

Business Accelerator Launched

Working Group - Taking stock of the recent social crisis

**AUGUST 2021**

Civil unrest impact assessment shared

Working Group-Accelerating local sourcing

**SEPTEMBER 2021**

@home
Mr Price Home Homewood joined the 2021 SME Accelerator as lead firms in the Dragon's Den.

Working Group-Vaccinated workforce

MOU signed with eThekwini for renewed funding for FY22-FY24

**OCTOBER 2021**

Skills Programme 2022 Launched

**NOVEMBER 2021**

EFC SME Accelerator Dragon's Den hosted with 3 cash prizes awarded to: Woman's Vision, Alifurn, MAD Design Studios

EFC AGM hosted, unpacking retail growth opportunities

**DECEMBER 2021**

JANUARY 2022

FEBRUARY 2022

Working Group- adhering to Lean fundamentals

Unemployed Youth programme launched

MARCH 2022

Working Group- Green Manufacturing as a competitive edge

Unemployed Youth Programme- Life skills, Design thinking and Furniture Product Designs workshops held

APRIL 2022

2021 Skills Graduation Ceremony

MAY 2022

Working Group- Reliability in best practices

In-person factory tour to Brink Towing

4 Letters of interest received by SMEs

JUNE 2022

Alifurn invited to East Coast Radio House and Garden show.

2021/22 SME Accelerator Graduation

# IMPACT & HIGHLIGHTS JULY 2021-JUNE 2022

OUR MISSION IS TO SUPPORT THE GROWTH OF THE KZN FURNITURE MANUFACTURING INDUSTRY. OUR IMPACT IN THE LAST FINANCIAL YEAR IS NOTED BELOW.

10 SMES LINKED TO RETAIL MARKETS

39 PEOPLE TRAINED ON TECHNICAL, LEAN AND LEADERSHIP PROGRAMMES

R6 MILLION IN NEW SALES FOR EFC MEMBERS

7 COMMERCIAL COMMITMENTS SECURED BETWEEN SMES AND LEAD FIRMS

## SHARED LEARNING

The eThekwini Furniture Cluster held 15 virtual sessions and 2 in-person sessions between July 2021 and June 2022, bringing more than 500 industry representatives together over the 12-month period.

On the third Wednesday of each month, the EFC (together with other industrial clusters in KZN, the Western Cape and the Eastern Cape) facilitates “Manufacturing Meetup” webinar sessions with member firms and the broader manufacturing community. These meetups are demand-driven and focused on themes and topics that are of relevance to cluster members. A list of the topics covered during these sessions can be found below:

- Civil Unrest Webinar
- Business Accelerator Working Group
- Vaccinated Workforce Webinar
- Skills Launch Webinar
- What does Retail want?
- Adhering to Lean Fundamentals in the Current COVID-19 Environment
- Green Manufacturing as a competitive edge
- Driving Operational improvement through Skills
- Brink Factory Tour on Unpacking reliability in best practices
- Manufacturing Meetup - " Living Lean" from Theory to Practice
- Manufacturing Meetup " Leading Lean” -100% operational availability


Market Demand
Finance
Operations
People
Supply Chain
ACCELERATING LOCAL SOURCING
29 July
15h00-16h00
Introducing our Business Accelerator for 2021!


Market Demand
Finance
Operations
People
Supply Chain
Working Group Invitation
THE VACCINATED WORKFORCE
RIGHTS, RESPONSIBILITIES AND ACTIONS TO PROMOTE COMPETITIVE AND SAFE WORKSPACES
16 SEPTEMBER 2021, 13H30


FINDING GROWTH
WHAT DOES RETAIL WANT?
18 November 2021 || 09h00-10h00


EFC'S
2022 TRAINING PROGRAMME
LAUNCH WORKING GROUP
Find out more about how our training programmes can support your firm's skills development strategic planning for 2022
28 OCTOBER I 14H00
Registrations are now OPEN and this working group affords members an opportunity to find out more


COMPETITIVENESS
LOCALISATION & GROWTH
SUSTAINABILITY
RESPONDING TO THE GREEN ECONOMY BY ADOPTING GREEN MANUFACTURING AS A COMPETITIVENESS EDGE
3 March 2022
10:00 - 11:00


Market Demand
Finance
Operations
People
Supply Chain
ADHERING TO LEAN FUNDAMENTALS IN THE CURRENT
COVID-19 ENVIRONMENT
1 February 2022
10:00 - 11:00


CELEBRATING THE LEADERS IN LEAN
2021
SKILLS PROGRAMME
GRADUATION
Event postponed to 5 May 2022


COMPETITIVENESS
LOCALISATION & GROWTH
SUSTAINABILITY
FOSTERING A PASSION FOR LEAN AMONG EMPLOYEES
MANUFACTURING MEETUP
18 May 2022
10:00-11:00


COMPETITIVENESS
LOCALISATION & GROWTH
SUSTAINABILITY
FACTORY TOUR TO BRINK TOWING SYSTEMS
UNPACKING RELIABILITY BEST PRACTICE
Date: 10 May 2022
Time: 09:00 - 10:30
Host firm: Brink Towing Systems


**Reminder**
This is a friendly reminder to register for the upcoming Manufacturing Meetup, if you have not done so yet.
COMPETITIVENESS
LOCALISATION & GROWTH
SUSTAINABILITY
ENSURE 100% AVAILABILITY AND PROCESSES THROUGH EFFECTIVE LEAN MANAGEMENT
MANUFACTURING MEETUP
Date: 15 June 2022
Time: 10:00 - 11:00

Considering the restrictions that were placed on in-person events due to the COVID-19 pandemic, the cluster has introduced virtual factory tours for people to experience first-hand the processes behind manufacturing industries, different jobs, skills, and support needed to manufacture locally and, in some cases, internationally. The cluster's inaugural G.U.D Holding virtual factory tour focused on "Leveraging skills development as a driver of visual management best practice adherence."

The attendees are asked to rate the value and facilitation of each session, with most attendees expressing that they've walked away from the session with at least one new idea that can be implemented within their own factories and/or teams.

"The one thing that we picked up and implemented within days of being at your plant was the visual production planning board that you have on the shop floor. Once we saw it in action, we said, "Why haven't we done this before?" We got that up and going quickly. From my perspective, it's a pleasure going through in the mornings to the factory meetings before we start manufacturing. Seeing the buy-in now from the staff that actually have to make furniture at various stations and seeing how much better organized they are and how they get involved in planning their days. For me, that was a big breakthrough." – Ian Perry, Managing Director of Homewood, shares the value that was derived from joining the Brink Towing Systems Factory Tour.


*Figure 1: Homewood team reviewing visual production planning board*

"I have been exposed to Kaizen theoretically before, today, I experienced Kaizen in action. Thank you for organizing this session. I picked up some ideas I can implement in my factory." - Lumka Sibanyoni from Sakhikhono.

## SKILLS DEVELOPMENT

The GrowthFinder Diagnostic, the online evolution of the cluster's detailed benchmarking system has created visibility into the member firms' performance. Several cluster member firms completed it and their growth potential was measured in terms of six modularised growth predictors-Historical Growth, NextGen Growth Drivers, Market Demand, Customer Satisfaction, Productivity & Operational Excellence and Green Manufacturing.

A summary of the firm's performance in terms of the identified growth predictors compared to the aggregated Furniture Manufacturing sector in South Africa can be seen in Table 1 below. The EFC member firms are outperforming the manufacturing industry average in terms of Historical Growth but are behind the industry average for Next Generation Growth Drivers, Productivity and Operational Excellence.

Table 1

| GROWTH PREDICTORS | EFC FIRMS | SA MAN |
|---|---|---|
| Historical Growth | 2.9 | 2.3 |
| NextGen Growth Drivers | 2.7 | 3.3 |
| Market Demand | 3.1 | N/A |
| Productivity and Operational Excellence | 2.3 | 3.9 |
| Green Manufacturing | 2.4 | 3.9 |
| **GROWTH SCORE** | 2.7 | 3.3 |

Our GrowthFinder diagnostic also highlighted the opportunity for manufacturers to improve their agility and sustainability offerings to better meet the needs of retail customers. Additionally, consistent measurement and monitoring of performance indicators and visual management systems, together with the implementation of Lean Manufacturing principles seem to be underlying challenges for these firms.

The eThekwini Furniture Cluster has redefined what skills development can look like through developing a scalable and accessible skills development solution that enables greater reach and at a lower cost to the industry. The Skills Development programme has three distinct programmes. The first is developing an understanding of lean principles for the frontline workforce (the Team Leader Development Programme), and the other is designed to unlock leadership potential (the Emerging Leader Development Programme). The knowledge gained by these learners are both applicable and immediately implementable, with demonstrated value add to firms. The third is our technical skills programme, driven through an Unemployed Youth Programme.

With the advent of COVID-19, the cluster had to pivot its traditional skills programmes towards an online learner platform. Within a relatively short time frame, the cluster was able to adapt the programmes' content for online while also tailoring specific programmes for member firms to offer in-person mentorship support to learners from manufacturing teams where required. Overall, the Skills Development programme facilitated the training of 39 people on lean, leadership and technical skills between July 2021-June 2022.

**Why do these programmes matter?**

The programmes have enabled individuals from manufacturing teams to make small changes that have significant impact on their company's operations. Furthermore, the programmes afford learners the opportunity to engage with ex-industry executives with a wealth of industry knowledge in support of change management projects. Having the mentorship and practical component of the course means that learners can share their learnings with others, providing them with the opportunity to work across different divisions, functions, and levels of seniority-culminating a stronger team dynamic and collective vision for firm improvements.

In one of the course modules, Charles Zuze, a TLDP learner from Alifurn Outdoor Living, noted a chair that was returned to the factory due to defects, causing a time and resource wastage for both the customer and the factory. Undergoing this exercise helped Charles to understand the impact that this kind of defect and transport waste can have on production, and the importance of ensuring that all work is completed correctly the first time to mitigate bottlenecks in the manufacturing process.

One of the EFC member firms, Homewood, have experienced significant transformation because of skills programmes. 5 employees were trained on the TLDP to establish a foundation of Lean Manufacturing.

As part of the Homewood project scope, a further 40 employees were trained in identifying and reducing manufacturing wastes in the factory. Ian Perry, the Founder and Managing Director of Homewood, noted how the introduction of basic Lean Manufacturing protocols, such as the Eight Wastes, have made a significant difference to their manufacturing. It has enabled Homewood's team to identify value-adding activities and how to reduce waste-generating activities to maximise the value-add to their customers, increasing their productivity between an estimated 10-20%.

"[The TLDP] has helped on the ordering side. Whatever [raw materials] we order, we order for what is coming out of the factory, not stuff that just went in and is waiting in the stock room." - Nicolette Luthuli, Dispatch Manager at Homewood.

"I've recently completed the ELDP programme, which has introduced financial management, programme management as well as strategic management. [The programme] has introduced how to deal with clients on a better scale and given a different view on what we normally do on an everyday basis and then turning that into practical." Neonita Mohanlal, Showroom Manager at Homewood.

The cluster also developed and tailored a project focused on mapping the flow and areas of improvement for Hedcor's (EFC member firm) new premises. Upon completion of the first phase of the project, Hedcor was able to half the size of their factory due to this strategic skills implementation of Lean Manufacturing principles which subsequently aided lowering the firm's rental expense.

### Honouring the Class of 2021

On 5 May 2022, the Skills Graduation ceremony was facilitated in Kloof, KwaZulu-Natal to celebrate over 400 graduates from the Class of 2021 from various manufacturing sectors. The hybrid event allowed for firms that could not attend in-person (including those located outside of KwaZulu-Natal) to join the ceremony virtually and facilitate in-house "viewing parties" so as not to miss the celebrations.

The graduates in attendance were offered the opportunity to sit side-by-side with the directors and managers of top manufacturing companies as their achievements across the TLDP and ELDP were recognized. Homewood, a cluster member firm, was recognized among the Top 10 firms across the two skills development programmes.

“The real celebration was the outcome of the skills development programmes. The fact that enormous potential has not only been unlocked but realised, in every one of these graduates is the real gold here. Individuals have been empowered to make small changes with huge impact on their companies, evidenced in the quality of the learner presentations at this event”, says Paige Sherrif, Head of Skills Development at BMA.

**Unemployed Youth Skills Development Programme**

The Unemployed Youth Workplace Readiness Programme (UEY) was launched in in March 2022 to address the existing skills gaps, improve core capabilities, and create sustainable employment opportunities in the furniture sector. The programme targeted unemployed youth (between the ages 18-34) and graduates based in KwaZulu-Natal with a tertiary education and an interest in design in the furniture industry.

In strategic collaboration with eThekwini Municipality, Innovative Shared Services (ISS), Innovate Durban and the Institution of Interior Design (IID), the programme was offered free of charge and designed with sector-specific training that will empower learners with the capacity for innovation, creativity, design thinking and leadership skills needed to build a career in the South African furniture industry. Furthermore, it offered applicants the opportunity to access leading employers in the furniture industry and showcase their capabilities to future employers.

The 124 applicants were asked to design a homework space, including a chair, storage space and desk for someone working from home either by submitting hand-drawn sketches or computer-based drawing programmes. A screening tool and scorecard was developed to identify the high potential applicants to be considered for inclusion in the programme.

Three full day in-person workshops were facilitated immediately after the launch of the programme: Life Skills and Inspiration, Design Thinking, and Product Design workshop. The learners who attended the in-person workshops were offered a stipend allowance to cover necessary travel costs. Two online workshops were facilitated with the learners that focused on Furniture Service Design.

13 learners have since been onboarded to the cluster's TLDP Skills Development programme and are currently progressing through the course content with learners completing the course to progress to job-placements.

## SMME BUSINESS ACCELERATOR

The Small Business Accelerator Programme was launched in August 2021 to develop high-potential Black SMEs as strategic suppliers to lead enterprises through market access, standards upgrading, capital investment interventions and skills development. Thus, allowing local industry the support and access toward an accelerated recovery.

The programme is aligned to Supplier & Enterprise Development and Socio-Economic Development components of the B-BBEE codes of good practice, creating benefits for SMEs and larger member firms. Members improve their B-BBEE scorecard, increase the real value-add of BBBEE spending and reduce the cost of B-BBEE spending by developing current and potential SME suppliers. The project, therefore, is designed to facilitate positive commercial and transformative outcomes for lead firms and SMEs alike.

The programme strives to achieve three objectives namely:

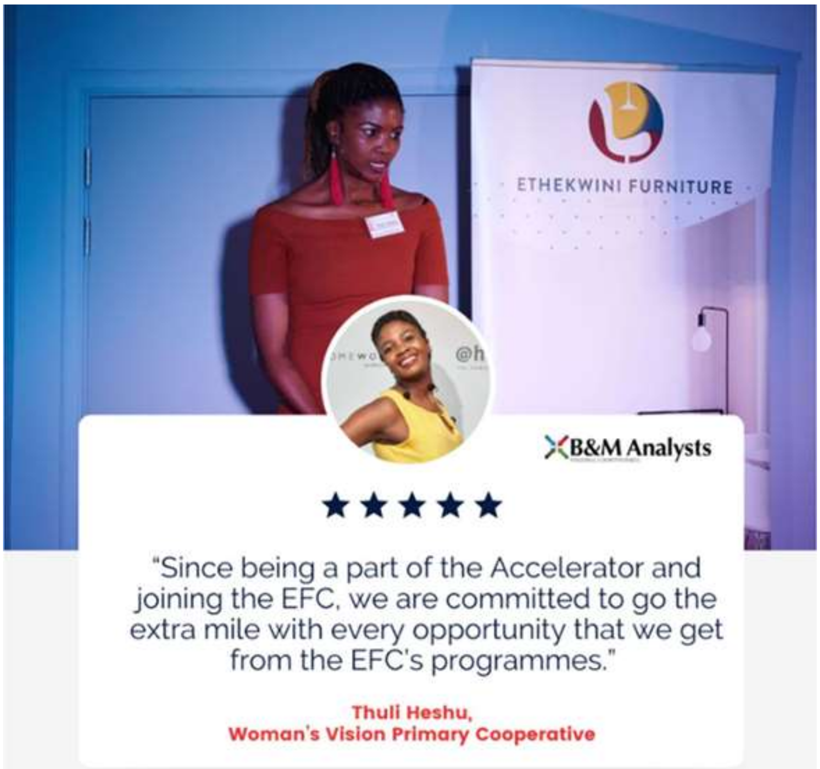
- **Creating market access**
- **SME standards upgrading**
- **Securing procurement and/or capital investment**

Out of the 42 applicants who went through the programme, 5 high potential, high commitment SMEs (Alifurn Outdoor Living, MAD Design Studios, Ntozakhe Social Development, Pine Timber Board Express and Woman's Vision Primary Cooperative Ltd.,) were shortlisted to pitch their value proposition to a panel of industry giants – Mr Price Home, @home and Homewood- at the cluster's Dragons' Den event as an opportunity to identify potential commercial opportunities.

The top 5 SMEs received cluster membership and have full access to the skills development programmes, cluster knowledge library, industry peer learning events and regular industry news. 3 SMEs won cash prizes on the day of the event in the categories of Best Business Case (Alifurn Outdoor Furniture Company), High Impact Business (Woman's Vision Primary Cooperative Ltd.) and Most Promising/Innovative Business (MAD Design Studios).

4 SMEs (Alifurn Outdoor Furniture Company, MAD Design Studios, Pine Timber Board Express and Woman's Vision Primary Cooperative Ltd.) continued through to the Diagnostic and Business/Investment Case development phase of the programme, as there was a commercial opportunity identified by the lead enterprises for these firms. The SMEs were supported by an industry expert to develop a business case in line with the lead enterprise/s' needs to secure the identified commercial opportunities.


After presenting the SMEs' business cases to the lead enterprises, three commercial opportunities have been unlocked and formalized for two SMEs participants involved in the EFC Small Business Accelerator programme. All four SMEs received a signed LOI from the lead enterprises, with some SMEs receiving more than one LOI, as can be seen in the list below.




- Alifurn Outdoor Furniture Company received a signed LOI from Mr Price Home and their current customer @home has committed to procuring a new outdoor furniture range.
- MAD Design Studio received a signed LOI from Homewood in addition to a LOI from Mr Price Home in the pipeline.
- Woman's Vision received a signed LOI from Mr Price Home and Homewood.
- Pine Timber Board Express received a signed LOI from Mr Price Home.

# SHINING A SPOTLIGHT ON OUR ACCELERATOR SMES

## WOMAN'S VISION

Woman's Vision is a small, owner-managed, furniture manufacturing and restoration cooperative that was founded in 2016 by two visionaries in their mid-twenties. Their small but capable team of five permanent employees have the skills and equipment to do the woodwork, upholstery and finishing processes for furniture refurbishments, repairs, and manufacturing. Each member of the cooperative has received training in at least one aspect of furniture manufacturing processes.

Their 216m2 facility is based in Ithala Industrial Park, Hammarsdale with a 72m2 satellite facility in Lamontville, Durban. While Woman's Vision is currently capable of servicing customers in the KwaZulu-Natal region, their vision is to become a valued supplier to the furniture retail industry across South Africa while simultaneously uplifting communities through job creation and skills training.

Woman's Vision's potential caught the attention of the panel of lead enterprises (including Homewood, @home and Mr Price Home) during the eThekwini Furniture Cluster's Small Business Accelerator's Dragons' Den event that took place in November 2021. At the event, they were awarded the "High Impact Business" award and R15,000 prize money.


Since progressing through the initial stages of the Accelerator, Woman's Vision have undergone business case development, received mentorship support from an experienced industry expert, the opportunity to complete a detailed benchmarking study and access to the clusters Team Leader and Emerging Leader Skills Development programmes.

Homewood and Mr Price Home have subsequently expressed interest in unlocking commercial opportunities with Woman's Vision. The opportunity with Homewood has since been formalised through a signed letter of intent (LOI), and a LOI from Mr Price Home is currently being finalised. Woman's Vision are excited about the prospects with both Homewood and Mr Price Home and are currently exploring funding opportunities to grow their in-house capabilities.

## ALIFURN – THE OUTDOOR FURNITURE COMPANY

Alifurn is a family-owned and run business, driven by a commitment to producing high-grade outdoor furniture that has been authentically manufactured and treated with the utmost care, from concept to completion. Founded from humble beginnings, Alifurn first started making dining chairs out of a home garage in Ballito in 2010. They have since grown, and now operate a 650m2 factory situated in Ballito, on the North Coast of Kwa-Zulu Natal, with showrooms in both Johannesburg and Cape Town.

Founder and General Manager, Tamsyn Ferreira, has personally grown each aspect of the business, establishing Alifurn as an innovative and reliable partner in the furniture sector in South Africa and beyond its borders.

"Our garage grew into a factory, we grew into a team and our passion grew into a company."

– Tamsyn Ferreira


Alifurn works closely with interior designers, leading retailers, hospitality groups and the public to develop customized designs and hand-made furniture using traditional Zulu weaving techniques that is specifically designed for the African climate. The passionate team of 28 (including 2 deaf and mute employees) that Tamsyn has nurtured over the years is testament to her mantra that business is about people and relationships.

In November 2021, Alifurn caught the attention of a panel of lead furniture firms while pitching their value proposition at the Dragons' Den, part of the eThekwini Furniture Cluster's Small Business Accelerator programme. Alifurn was awarded "Best Business Pitch" and R20,000 prize money.

Alifurn have subsequently received a signed letter of intent (LOI) from Mr Price Home to procure a range of contemporary outdoor products, in addition to one of their current customers, @home, committing to procuring new outdoor furniture ranges that are traditionally sourced offshore.

Since joining the eThekwini Furniture Cluster's Small Business Accelerator programme, Alifurn have received business case development mentorship, skills training opportunities through the cluster's Team Leader and Emerging Leader development programmes, completed the cluster's detailed benchmarking study and have independently applied to the KwaZulu-Natal Furniture Manufacturers' Association.

Tamsyn is excited about the opportunities with both @home and Mr Price Home and is currently exploring funding opportunities to invest in specialized machinery to grow their in-house manufacturing capabilities.




At the end of June 2022, Alifurn were also Invited to show at the Durban House and Garden show as part of the Department of Trade, Industry and Competition's stand.

## MAD DESIGN STUDIOS

MAD Design Studios is an architecture and interior design studio that specializes in the design of upmarket homes, restaurants, hotels, offices, and retail shops. Founded by the creative duo, Mholi and Nqobile Mthembu, MAD Design Studios' services include designing, manufacturing, and overseeing the installation of high-end, custom furniture solutions for their customers.

With headquarters in Durban and offices in Johannesburg, MAD Design Studios has worked with prominent retailers, hotels, restaurants, and property developers. Their furniture manufacturing facilities are currently out of FurnTech in KwaMashu, KwaZulu-Natal, a fully equipped furniture training and incubation centre with access to experienced industry mentors and skilled resources. Over the next couple of years, the couple's vision is to establish an independent manufacturing facility and grow their in-house capabilities to solid wood, upholstery, and board.

MAD Design Studios' potential caught the attention of the panel of lead enterprises (including Homewood, @home and Mr Price Home) during the eThekwini Furniture Cluster's Dragons' Den event that took place in November 2021 and were awarded "Most Promising/Innovative Business" and R15,000 prize money on the day.

Since progressing through the initial stages of the Accelerator, MAD Design Studios have undergone business case development, received mentorship support from an experienced industry expert, the opportunity to complete a detailed benchmarking study and take up learnership on the cluster's Team Leader and Emerging Leader Skills Development programmes.

Homewood and Mr Price Home have subsequently expressed interest in a design and manufacture collaboration with MAD Design Studios. The opportunity with Homewood has since been formalised through a letter of intent (LOI), and a LOI from Mr Price Home currently being finalised. MAD Design Studios are excited about the prospects with both Homewood and Mr Price Home and are currently exploring funding opportunities to grow their in-house capabilities.

# CLUSTER MANAGEMENT

Cluster Management remains fundamental to ensuring the continued provision of cluster services, through ensuring standards of good governance and financial management, and furthermore, supporting the expansion of the cluster reach and impact through recruitment, stakeholder engagement and communication.

The Cluster has ensured delivery of monthly funder progress reports, quarterly funder progress reports, PSC meetings with eThekwini Municipality, stakeholder engagement, quarterly Exco meetings, and an Annual General Meeting (AGM) and Annual report.

# 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.

| MEMBER | ROLE | FIRM |
|---|---|---|
| Lumka Sibanyoni | EFC Chairperson | Sakhikhono Training & Development |
| Ian Perry | EFC Director | Homewood |
| Phiwayinkosi Ngema | EFC Director | Zaloetech |
| Stanley Faku | EFC Executive | Afroawethu |
| Takalani Rathiyaya | eThekwini Municipality Representative | eThekwini Municipality |

# 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

# MEMBERSHIP LISTING

[redacted]

# OUR PARTNER, ETHEKWINI MUNICIPALITY

The EFC expresses gratitude to eThekwini Municipality for their supportive partnership.

eThekwini Municipality's public funding for the EFC in overseen by the Economic Development and Investment Promotion Unit (ED&IPU), which is mandated to promote economic development; job creation, economic transformation and economic intelligence within the municipal region.

The ED&IPU is guided by policies established by National and Provincial Government and articulates the approach to economic development through the Municipality's Integrated Development Plan (IDP) and an Economic Development Strategy (EDS) from which all activities are guided by, but not restricted to, as the Unit also responds to the broader challenges facing the greater region by endorsing other initiatives such as the Millennium Development Goals.

For more information on the eThekwini Municipality please visit www.durban.gov.za

# CLUSTER FACILITATION AND CONTACT INFORMATION

Facilitation services to the EFC are provided by an independent team from BMA (B&M Analysts Pty Ltd) appointed by the EFC Executive Committee through a competitive bidding process.

Founded in 1997, BMA provides high value, specialised services to grow manufacturing profitably and sustainably. These services are provided to government, non-government organisations, clusters, industry associations, retail and manufacturing companies.

For more information on BMA please visit www.bmanalysts.com

## CONTACT

Tel : +27(0) 31 764 6100
Email: efc@bmanalysts.com
Website: www.furniturecluster.org.za
Physical Address
Block B, Bellevue Campus
5 Bellevue Rd, 3640

**ETHEKWINI FURNITURE CLUSTER NPC**
**(Registration number 2018/397128/08)**
**ANNUAL FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2022**

| | |
|---|---|
| **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<br>L B U Sibanyoni<br>I W Perry |
| **Registered office** | Block B<br>Bellevue Campus<br>5 Bellevue Road<br>Kloof<br>3610 |
| **Business address** | Block B<br>Bellevue Campus<br>5 Bellevue Road<br>Kloof<br>3610 |
| **Postal address** | PostNet Suite 10139<br>Private Bag X7005<br>Kloof<br>Kwa-Zulu Natal<br>3650 |
| **Banker** | First National Bank |
| **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 of South Africa. |
| **Preparer** | The annual financial statements were independently compiled by:<br>Tertius Erasmus<br>Chartered Accountant (S.A) |
| **Issued** | 30 September 2022 |

The reports and statements set out below comprise the annual financial statements presented to the board of directors:


| | Page |
|---|---|
| Directors' Responsibilities and Approval | 3 |
| Directors' Report | 4 |
| Practitioner's Compilation Report | 5 |
| Independent Auditor's Report | 6 - 8 |
| Statement of Financial Position | 9 |
| Statement of Comprehensive Income | 10 |
| Statement of Changes in Equity | 11 |
| Statement of Cash Flows | 12 |
| Accounting Policies | 13 - 14 |
| Notes to the Annual Financial Statements | 15 - 16 |

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

| | |
|---|---|
| Detailed Income Statement | 17 |

## Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa, 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 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 2023 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 6 to 8.

The annual financial statements set out on pages 4 to 17, which have been prepared on the going concern basis, were approved by the board of directors on 30 September 2022 and were signed on its behalf by:

**Approval of annual financial statements**

**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 2022.

### 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 of South Africa. The accounting policies have been applied consistently compared to the prior year.

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:

P F Ngema
L B U Sibanyoni
I W Perry

There have been no changes to the directorate for the period under review.

### 4. 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.

### 5. Auditors

Mazars continued in office as auditors for the company for 2022.

### 6. Events after the reporting period

At the date of finalisation of the financial statements, there were no material events that occurred subsequent to the reporting date that required adjustment to the amounts recognised in the financial statements. However, close monitoring of any potential impact from COVID-19 is being undertaken by the directors.

## Practitioner's Compilation Report

30 June 2022

*To the Directors' of Ethekwini Furniture Cluster NPC*

# Report on the Compilation of the Annual Financial Statements

### Opinion

We have compiled the annual financial statements of Ethekwini Furniture Cluster NPC set out on pages 4 to 17, based on the information you have provided. These annual financial statements comprise the statement of financial position of Ethekwini Furniture Cluster NPC as at 30 June 2022, 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 Standards for Small to Medium-sized Entities, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. 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 the Directors' responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you have provided to us to compile these 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 Standards for Small to Medium-sized Entities, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

**Mazars**
**Partner: T Erasmus**
**19 September 2022**
**Durban**

## Independent Auditor's Report

30 June 2022

*To the Directors' 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 9 to 16, which comprise the statement of financial position as at 30 June 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the 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 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards for Small to Medium-sized Entities, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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' and the International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide for our opinion.

Continued-\

## 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 2022", which includes the Directors' Report as required by the Companies Act of South Africa and the supplementary information set out on page 17, which we obtained prior to this report. 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 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, 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 Standards for Small to Medium-sized Entities, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, 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 ISAs 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 financial statements.

Continued-\

As part of an audit in accordance with ISAs, 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.

**Mazars**
**Partner: MJ Cassan**
**Registered Auditor**
**19 September 2022**

## Statement of Financial Position as at 30 June 2022

| Figures in Rand | Notes | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Trade and other receivables | 2 | 44,329 | 6,364 |
| Cash and cash equivalents | 3 | 932,289 | 403,962 |
| | | **976,618** | **410,326** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Retained income | | 167,221 | 211,519 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 4 | 809,397 | 198,807 |

## Statement of Comprehensive Income

| Figures in Rand | Notes | 2022 | 2021 |
|---|---|---|---|
| Revenue | 5 | 2,134,060 | 2,295,583 |
| Other income | 6 | 2,396 | 3,450 |
| Operating expenses | | (2,180,754) | (2,116,042) |
| **Operating (deficit)/ surplus** | | **(44,298)** | **182,991** |
| **(Deficit)/ surplus for the year** | | **(44,298)** | **182,991** |

## Statement of Changes in Equity

| Figures in Rand | Retained income | Total equity |
|---|---|---|
| **Balance at 01 July 2020** | **28,528** | **28,528** |
| Surplus for the year | 182,991 | 182,991 |
| **Balance at 01 July 2021** | **211,519** | **211,519** |
| Deficit for the year | (44,298) | (44,298) |
| **Balance at 30 June 2022** | **167,221** | **167,221** |

**Statement of Cash Flows**

| Figures in Rand | Notes | 2022 | 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash (used in) generated from operations | 7 | 528,327 | 62,258 |
| **Total cash movement for the year** | | **528,327** | **62,258** |
| Cash at the beginning of the year | | 403,962 | 341,704 |
| **Total cash at end of the year** | 3 | **932,289** | **403,962** |

## 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, 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 criteria in section 11.8(b) of the standard and they 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.

#### Trade and other receivables

Trade and other receivables, excluding where applicable VAT and prepayments, are subsequently measured at amortised cost using the effective interest rate method.

### 1.2 Financial instruments (continued)

**Trade and other payables**

Trade and other payables, excluding where applicable VAT and amounts received in advance, are subsequently measured at amortised cost, using the effective interest rate method.

### 1.3 Revenue

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

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

| Figures in Rand | 2022 | 2021 |
|---|---|---|

## 2. Trade and other receivables

| | | |
|---|---|---|
| Trade receivables | 7,201 | 25 |
| Value added tax | 37,128 | 6,339 |
| | **44,329** | **6,364** |

## 3. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Bank balances | 932,289 | 403,962 |

## 4. Trade and other payables

| | | |
|---|---|---|
| Trade payables | 793,222 | 198,807 |
| Accrued expenses | 16,175 | - |
| | **809,397** | **198,807** |

## 5. Revenue

| | | |
|---|---|---|
| Membership fees | 34,060 | 40,083 |
| TIKZN Funding | - | 255,500 |
| eThekwini Municipality | 2,100,000 | 2,000,000 |
| | **2,134,060** | **2,295,583** |

## 6. Other income

| | | |
|---|---|---|
| Decrease in the provision of bad debts | 2,396 | 3,450 |

## 7. Cash generated from operations

| | | |
|---|---|---|
| (Deficit)/ Surplus | (44,298) | 182,991 |
| **Changes in working capital:** | | |
| Trade and other receivables | (37,965) | 13,800 |
| Trade and other payables | 610,590 | (134,533) |
| | **528,327** | **62,258** |

## 8. Related parties

Relationships

| | |
|---|---|
| Entity under common management | B and M Analysts Proprietary Limited. |

**Related party balances and transactions with other related parties**

**Related party balances**

| | | |
|---|---|---|
| **Amounts included in Trade Payable regarding related parties** | | |
| B and M Analysts Proprietary Limited | 791,717 | 197,632 |

**Related party transactions**

| | | |
|---|---|---|
| **Consulting fees paid to related parties** | | |
| B and M Analysts Proprietary Limited | 2,149,181 | 2,084,269 |

| Figures in Rand | 2022 | 2021 |
|---|---|---|

## 9. Taxation

No provision has been made for 2022 tax as the company is exempt from South African normal tax in terms of Section 10 (1)(d)(iv)(bb) of the Income Tax Act.

## 10. 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.

## 11. Events after the reporting period

At the date of finalisation of the financial statements, there were no material events that occurred subsequent to the reporting date that required adjustment to the amounts recognised in the financial statements. However, close monitoring of any potential impact from COVID-19 is being undertaken by the directors.

**Detailed Income Statement**

| Figures in Rand | Notes | 2022 | 2021 |
|---|---|---|---|
| **Revenue** | | | |
| Membership Fees | | 34,060 | 40,083 |
| TIKZN Funding | | - | 255,500 |
| eThekwini Municipality | | 2,100,000 | 2,000,000 |
| | | **2,134,060** | **2,295,583** |
| **Other income** | | | |
| Decrease in provision for bad debts | | 2,396 | 3,450 |
| **Operating expenses** | | | |
| Accounting fees | | 1,200 | 1,050 |
| Auditors remuneration | | 26,350 | 20,220 |
| Bad debts | | 2,083 | 6,000 |
| Bank charges | | 1,940 | 2,107 |
| Consulting Fees | | 2,149,181 | 2,084,269 |
| Increase in Provision for Bad Debts | | - | 2,396 |
| | | **2,180,754** | **2,116,042** |
| **(Deficit)/ surplus for the year** | | **(44,298)** | **182,991** |

Detailed Income Statement forms part of supplementary information and is unaudited.

## CLUSTER CONTACT INFORMATION

Tel: + 27 (0) 3176 46100
Email: efc@bmanalysts .com
Website: www.furniturecluster.org.za
Physical Address
Block B, Bellevue Campus
5 Bellevue Rd, 3640