ETHEKWINI FURNITURE
CLUSTER

ETHEKWINI
MUNICIPALITY

2022/2023

ANNUAL REPORT

THANK YOU!

We express our appreciation to eThekwini Municipality, our strategic partner, and the member firms who have shown unwavering support to the eThekwini Furniture Cluster over the last five years.

ETHEKWINI FURNITURE CLUSTER

ETHEKWINI MUNICIPALITY

CONTENTS

INTRODUCTION

The annual report for the financial year ending 30 June 2023 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 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 cluster is overseen by an industry-led Board of Directors and an elected Executive Committee. This 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.

VISION, MISSION AND OBJECTIVES

The cluster's vision is to create a competitive South African furniture value chain 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 world-class value chain standards and socio-economic transformation for all member firms through collaboration, knowledge sharing, skills development, benchmarking, and individual firm improvement. As an industry-driven initiative, the cluster draws on the leadership and expertise of individuals from a broad range of member firms.

LETTER FROM THE CHAIRPERSON

As the Chairperson of the eThekwini Furniture Cluster (EFC), I am delighted to take this opportunity to reflect on our achievements over the last year. The EFC plays an important role in the furniture industry's growth and development in KwaZulu-Natal (KZN). The cluster is a collaborative organisation that brings together various stakeholders, including furniture manufacturers, suppliers, retailers, and relevant government entities, to work together towards common goals.

The EFC has emerged as a driving force behind the growth and development of the furniture industry in our region. Our collaborative efforts have borne fruit, establishing the cluster as a hub of innovation, entrepreneurship, and sustainable practices.

The South African Furniture Masterplan, a Department of Trade, Industry and Competition initiative, sets out a bold vision for the country’s furniture value chain, aiming to achieve a fast growing, profitable, inclusive, and sustainable South African Furniture industry by 2030.

The EFC is proud to play our role in working towards this vision, utilising the cluster’s resources to drive transformation, market access, and improved competitiveness through skills development, shared learning and manufacturing productivity improvement.

Over the last year, we have trained 38 individuals on lean fundamentals and management programmes, and we held 12 learning sessions to share best practices. Our Business Accelerator received 48 [furniture] SME applications and supported 12 SMEs with upgrading opportunities. 4 SMEs secured 8 commercial opportunities with 3 lead firms. The SMEs with identified commercial opportunities are actively engaging with the lead firms with regard to the next steps towards delivery.

Pending the finalisation of the orders, we estimate the value of these commercial opportunities to be approximately R6.4 million, creating an estimated 20 new jobs.

We are also happy to have welcomed 8 new firms as members over the year through their participation in the Accelerator Programme.

We move into the final year of our 3-year business plan and are excited to start developing a new 3-year strategy based on our learnings and impact to date. In 2023, we will be supporting our Business Accelerator SMEs further, helping them move from potential to purchase orders with major customers. Shared learning remains the foundation of our cluster and we will continue with our cross-sector, in-person factory tours and online manufacturing meetups on critical topics such as cost competitiveness, green manufacturing and market access.

We recognise that an equipped workforce is key in our industry and so plan to equip a further 72 learners on lean, leadership and technical skills. Furthermore, we will be continuing our diagnostic programme, supporting members to understand their challenges to growth and support improved competitiveness through 1:1 manufacturing productivity consulting support provided through the programme.
As custodians of public and private sector funding, we maintain our commitment to ensuring strong governance and financial management. I wish to acknowledge and thank the EFC's Executive Committee for their leadership and dedication to driving the cluster's progress over the last financial year. I extend my sincere thanks to our member firms and our strategic partners, eThekwini Municipality who have been an integral part of the eThekwini Furniture Cluster's journey. Our shared efforts and vision have led to the success we see today. I extend an invitation to all to join us in moving the furniture sector forward and contributing to our region's prosperous future.

The eThekwini Furniture Cluster remains committed to fostering collaboration, promoting innovation and creating sustainable growth opportunities for our members. Working together, we can face challenges, such as evolving consumer preferences, global market fluctuations, and resource constraints. I look forward to facing these challenges together and look forward to continuing to building an active furniture industry in KZN.

Lumka Sibanyoni

Chairperson, EFC
Owner, Sakhikhono
Training & Development

LETTER FROM ETHEKWINI MUNICIPALITY

The furniture industry in KwaZulu-Natal (KZN) makes a significant economic contribution to the regional economy, playing a crucial role in employment generation and GDP growth. KZN has a long history of furniture manufacturing and hosts the 2nd largest concentration of furniture manufacturing firms in South Africa. As a labour-intensive industry, the furniture sector plays a crucial role in uplifting our communities, particularly in areas with high unemployment rates.

eThekwini's furniture industry is renowned for its rich craftsmanship, producing high-quality and distinctive furniture pieces that often incorporate traditional design elements. Moreover, the region's furniture sector exhibits export potential, as some manufacturers venture into international markets, contributing to foreign exchange earnings. Furthermore, KZN boasts a thriving wood processing industry that utilises both indigenous and imported timber to manufacture furniture and related products. The industry presents both formal and informal segments, with a substantial number of small-scale artisans and workshops engaging in handmade furniture production.

Industry associations such as the eThekwini Furniture Cluster actively strive to promote collaboration, skills development, and enhanced market access for local furniture businesses, further elevating the sector's growth and development and ability to navigate challenges pertaining to infrastructure.

As a core funder, we are immensely proud to have been associated with the eThekwini Furniture Cluster's journey. We are excited by programmes that uplift SMEs and look forward to seeing more SMEs upgraded through cluster programmes. I am also encouraged by the continued focus on training unemployed youth and shop floor staff within the sector. The cluster's accomplishments serve as a testament to the power of partnerships in driving transformation and growth in our city.

Moving forward, we remain committed to supporting the eThekwini Furniture Cluster and its endeavours.

Councillor Thembo Ntuli

Chairperson: Economic Development
and Planning Committee
eThekwini Municipality

GROWTH DRIVERS SNAPSHOT

A SUMMARY OF KEY FINDINGS FROM OUR ANNUAL FURNITURE GROWTH DRIVERS REPORT

Growth outlook is positive

A slow and uneven reopening of the global economy after Covid-19, continued global and local supply chain disruptions, rising logistics costs, geo-political tensions and changing demand profiles means no firm can continue operating 'as is.' These disruptions have amplified the need to strategically diversify sourcing to reduce risk exposure and remain focused on growth.

Despite the significant headwinds over the last two years, the global furniture industry is expected to grow by 35% from R8 trillion in 2021 to R10.8 trillion by 2027. The South African furniture industry is also anticipated to experience growth of 4% year-on-year over the next 3 years.

Global leaders are pursuing omnichannel and sustainability strategies

Our review of the global leaders in furniture, namely IKEA, Wayfair and Nitori, found that their growth is driven by a rise in omnichannel retailing and sustainability strategy.

In terms of omnichannel growth, IKEA saw a 73% increase in its digital business in FY21, which accounts for 25% of its total revenue, while Nitori experienced a 159% increase in online sales in the last year. On sustainability, the Economist Intelligence Unit's 2021 research highlighted that searches for sustainable goods had increased by 71% from 2016-2021. As of 2020, the eco-friendly furniture market size was valued at $37 billion and is expected to increase to $60 billion by 2027.

All three retailers are working to unlock market opportunities for sustainable products, as well as take active steps to improve the environmental and social impact of their sourcing and logistics models. Nitori has reduced its plastic waste by 78% and carbon emissions by 115 tonnes by switching from polystyrene packaging to recyclable paper packaging. While IKEA is expected to save EUR 100m per annum by eliminating plastic packaging in its supply chain. Sustainable materials sourcing, product and process circularity and partnerships have all been implemented by the three firms.

These lead firms don't deploy these growth strategies in isolation, relying heavily on high-functioning supply chains to support their growth. These supporting value chain strategies include active custodianship of the full value chain, logistics optimisation, and investment and partnership in research and development.

The South African value chain has not realised omnichannel nor sustainability growth

In comparison, the South African furniture market is less advanced than the global furniture market. The industry has limited export orientation and historically has been heavily reliant on imports. Local retailers predominantly sell through brick-and-mortar stores, with online sales on average not exceeding more than 5% of total sales.

Sustainability is also not yet a reality for local furniture retailers although publicly listed companies are repositioning their strategy to be more sustainable in line with global trends. Omnichannel capabilities such as supplier-to-consumer sales, flat packing and online-to-offline retailing models have not been realised to their full potential either.

From a manufacturing perspective, South African furniture manufacturing is labour-intensive, with limited use of technology and automation as is emerging global practice. 90% of manufacturers are small to medium-sized enterprises, and therefore cannot offer the scale required by large local retailers, especially in small, trend-relevant furniture products. Reviewing the latest annual reports of five local furniture retailers, several key themes emerged:

- Investment in the local furniture value chain to reduce inventory lead times
- Diversifying and de-risking through acquisition, supplier management, inventory management and vast distribution networks
- Omnichannel capabilities to drive sales
- Social media as an emerging driver of consumer purchasing power
- Debtor management to mitigate against 92% retail credit default rates

There are opportunities to align SA furniture value chains to global best practices

Should omnichannel and sustainability be pursued by South African retailers, the value chain (retailers and manufacturers) will need to develop data-driven strategies and build partnerships to drive operational capability, capacity, competitiveness and compliance upgrading aligned to the shifting demand profile.

Opportunities to do so are outlined in this report. They are reliant on a mix of technology, process and culture changes at both the strategic and operational levels within firms.

Retail Opportunities

1. Get smarter about your customer
2. Develop an O2O strategy
3. Leverage sustainability tools to reduce costs
4. Shift from transactional to developmental supplier relationships
5. See logistics as a part of your strategy, not an addition

Manufacturing Opportunities

1. Seek trend intelligence to inform sample development and direct skills development
2. Use data to inform and drive performance management
3. Deepen raw materials and logistics capabilities
4. Reduce waste to improve cost competitiveness

OUR YEAR IN REVIEW

JULY 2022

Start of the new financial year

Manufacturing meetup: Limiting your environmental impact

Skills: Launched competition to encourage progress and completion

AUGUST 2022

Manufacturing meetup: Energy & Resource Resilience

Manufacturing meetup: Measurement & Monitoring Evolution at Dyefin Textiles

Accelerator: Graduation ceremony - 4 SME graduates enter the Accelerator alumni network and 2 SMEs attend 3-day "Building Scale" workshops

Skills: Piloted the learner and mentor survey

SEPTEMBER 2022

In-person Annual General Meeting

Manufacturing meetup: Sumitomo's strategic framework for leadership development of all employees

Accelerator: 2x SMEs Diagnostic reports generated and 3-day "Building Scale" workshops completed

Skills: TLDP Learner Presentation Showcase complete

OCTOBER 2022

Manufacturing meetup: Linde + Wiemann's enhanced focus on managing their Supply Chain

Accelerator: Launch of FY23 EFC Accelerator marketing

Accelerator: 2 press releases and 2 radio interviews (Radio Khwezi & Channel Africa) highlighting lead firms and eThekwini Municipality

NOVEMBER 2022

Manufacturing meetup: Showcasing next-gen manufacturing at TWIMS Management Technology

DECEMBER 2022

Skills: 1. Commenced grading of TLDP learner practicals

JANUARY 2023

Manufacturing meetup: Renewable energy sources for manufacturer: A solar energy business case analysis

Skills: learner registration drive for online and Blitz programmes

FEBRUARY 2023

Manufacturing meetup: Localisation best practices approach- Lessons from TFG and Cape Union Mart

MARCH 2023

Manufacturing meetup: Goodyear's Continuous improvement and problem-solving approach to driving excellence

Skills Awards Ceremony

Accelerator: 12 high potential SMEs inspired to commit to the Accelerator journey & equipped with resources to develop and deliver a compelling business pitch

Skills: 3 online programmes launched successfully - TLDP Online-On-Demand, ELDP Online-On-Demand and ELDP Circle

APRIL 2023

Manufacturing meetup: ITL's responsive approach to water management

Accelerator: Successful Dragons' Den event facilitated at TWIMS with 44 industry stakeholders present and 9 high-potential SMEs

Skills: Hosted the first Skills Champion Session with cluster members, the first ELDP Circle mentor session with learners and mentors, and continued registration for courses

MAY 2023

Manufacturing meetup: Jockey SA's impactful approach to leadership development

Accelerator: 9 SMEs onboarded to Business Case Development; next steps on their Accelerator journey clarified & Due Diligence assessment initiated

JUNE 2023

Major firm considerations to initiating the process of implementing renewable energy solutions

Accelerator: Learners from 4 SMEs attended LEAN manufacturing best practices and tools training & tour of Mr Price Distribution Centre

Skills: EFC SME Blitz fundamentals training successfully facilitated at DSTT, combined with Mr Price Distribution Centre tour

EFC ACTIVITIES: 2022/2023

IMPACT & HIGHLIGHTS FROM 2022/2023

Our mission is to support the growth of the furniture manufacturing industry. Our impact in the last financial year is noted below: July 2022 to June 2023

- 12 black-owned SMEs were provided upgrading opportunities and aligned to retail requirements
- 12 SMEs presented their business to potential investors
- 4 SMEs secured 8 commercial opportunities with 3 lead firms
- 51 training modules completed on lean and leadership skills programme
- 12 Shared learning sessions took place, this included manufacturing meet-ups and factory tours

ANNUAL GENERAL MEETING: PRACTICALLY UNPACKING HOW LOCAL MANUFACTURERS CAN GROW

The cluster hosted an in-person Annual General Meeting on 29 September 2022. This significant event provided an opportunity for members and stakeholders to convene, interact with peers and re-establish a sense of community and common objectives. This networking and relationship-building platform proved to be invaluable for fostering dialogue and constructive discourse. The panel discussion explored the changes in the furniture sector and explained the key factors necessary for fostering local growth.

EFC AGM 2022

BUSINESS ACCELERATOR

The 2023 Accelerator marketing concluded on 28 February 2023. Our FY22-23 Business Accelerator received 48 furniture SME applications. The Capacity Building workshop consisted of expert coaching of 13 SMEs in attendance to develop a clear value proposition to customers (using the 6Cs framework: Commitment, Capabilities, Capacity, Competitiveness, Compliance and Cash) and to prepare how they will deliver their business pitches to customers.

6Cs Framework

The eThekwini Furniture Cluster Business Accelerator hosted its second "Dragons' Den" event at the Toyota Wessels Institute for Manufacturing Studies (TWIMS) in Kloof, KwaZulu-Natal on 19 April 2023. The event featured a unique "Dragons' Den" format where 8 aspirings, young, Black-owned small and medium-sized businesses (SMEs) presented their businesses to a panel of three "Dragons" from leading retailers Mr Price Home, Homewood, and Sheet Street.

The Dragons' Den is a key component of the Accelerator for achieving significant economic transformation of Black-owned SMEs in the regional furniture sector and supporting the participating large customers to find and develop their future, local suppliers.

The SMEs had the opportunity to compete for the "Best Business Case" award and an on-the-spot cash prize of R15 000, in addition to pitching their businesses to unlock commercial opportunities to supply the Dragons, capital investment interventions for growth and mentorship from industry experts.

Mikhael Benefeldt of Teak and Tuft emerged as the winner of the "Best Business Case", earning the cash prize. Sibusisiwe Msimanga from The Beanbag Specialist was recognised as the Industry Gamechanger, and Blessing Zondi from Bfurn was named the Most Promising/Innovative Business.

The 8 SMEs have since been onboarded to cluster membership. Further, 8 potential commercial opportunities with 4 of the SMEs (Teak and Tuft, The Beanbag Specialist, Bfurn and Instyle Linen) have been identified by Mr Price Home, Homewood and Sheet Street, with further engagements between the SMEs and customers underway to progress these opportunities.

The SMEs with identified commercial opportunities are actively engaging with the lead firms with regards to delivering samples/test orders, costing, and confirming customers' compliance onboarding requirements – where relevant. While we do not yet have clarity on the true ZAR value of these commercial opportunities, we estimate that the total ZAR value of these 8 commercial opportunities is approximately R6.4 million, creating an estimated 20 new jobs.


ACCELERATOR
BUSINESS
mr price home


BUSINESS
ACCELERATOR
mrphome


mr price ho


BUSINESS
ACCELERATOR
R 15000


HOMEWOO
@home
IMAGINE MORE
INDUSTRY GAMECHANGER


mr price home
BUSINESS
SPEED
WITH ME


mr price home
WOOD


mr price home
HOMEWOOD
@home

BUSINESS ACCELERATOR IN THE MEDIA

SABC News Live interview on Morning Live, Radio Khwezi and Channel Africa interviews to discuss the importance of SMEs participating in the 2023 eThekwini Furniture Cluster Accelerator, an enabler for providing market access opportunities, driving localisation and enabling transformation in the furniture sector.

The Mercury

'Dragons Den'

MIKHAEL Benefeldt, Sibusisiwe Msimanga and Blessing Zondi were recognised in different categories at the 'Dragons' Den' event hosted in Kloof last week by the eThekwini Furniture Cluster. Benefeldt won for the Best Business Case; Msimanga was named Industry Gamechanger; and Zondi was awarded for Most Promising/Innovative Business.

KZN Namuhla

EZITHOMBENI: Ngenhla uMnu. Mikhael Khan ohambe phambili nezithembalalo u15 000 ngezansi phakathi nendawo uMnu. Blessing Zondi ophethe indondo yakhe.

THOBILE MBATHA

Kube ithuba eliyingqayizivele kosomabhizinisi abancane ngesikhathi bethula imisebenzi yabo abayenzayo eyahlukene. Lomcimbi ububanjelwe eTWIMS Toyota Wessel Institute for Manufacturing Studies, 74 Everton Road, Kloof, Durban, KwaZulu Natali mhlaka 19 Ephreli ngoLwesithathu kanti umphathi wohlelo beku Msizi James.

URobyn-Leigh Van Laren kanye noThulisile Mhlongo bekhuluma nephephandaba lomphakathi iKZN Namuhla ebelikhona kuqalwa lomcimbi bathe, inhloso yalomcimbi ukuthi kuqhakambiswe imisebenzi yosomabhizinisi abancane -SME's ngokwesekwa izinkampani ezinkulu kanye ne-'Dragon's Den. Bechaza.

Kube sekuklonyeliswa abathathu abethule kahle amabhizinisi abo okube, uMnu. Blessing Zondi, weArtisan Furniture and designs, Sibusisiwe Msimanga weThe beanbag Specialist kanye noMikhael Khan oyi Sales and Marketing ohlabene ngemali ewu R15 000 weBest Business Case. uMikhael udlulise ukubonga kubahleli bomcimbi kanye nabaphathi be-eThekwini Furniture Cluster.

The Rising Sun (Chatsworth)

Business Accelerator set to transform SMMEs in the furniture sector

The eThekwini Furniture Cluster Business Accelerator hosted its second 'Dragons' Den' event at the Toyota Wessels Institute for Manufacturing Studies (TWIMS) in Kloof, KwaZulu-Natal, recently. The event featured a unique 'Dragons' Den' format where nine aspiring, young, black entrepreneurs presented their businesses to a panel of three 'Dragons' from leading retailers, Mr Price Home, Homewood, and Sheet Street. The entrepreneurs had the opportunity to compete for an on-the-spot cash prize of R15, 000, in addition to (and perhaps more importantly) pitching their businesses to unlock commercial opportunities to supply the Dragons, capital investment interventions for growth, and mentorship from industry experts. Mikhael Benefeldt emerged as the winner of the 'Best Business Case', earning the cash prize in what was a highly contested category. Meanwhile, Sibusisiwe Msimanga from The Beanbag Specialist was recognised as the Industry Gamechanger, and Blessing Zondi from Bfurn was named the Most Promising/Innovative Business. Kyle Ballard, head of the Accelerators, and an eThekwini Furniture Cluster representative stated that the second Business Accelerator exceeded the expectations of its funder, eThekwini Municipality. Ballard further explained that the accelerator is a vital programme for achieving significant economic transformation in the regional furniture sector and supporting the participating large customers to find and develop their future, local suppliers. "Small business owners often encounter challenges related to market access and exposure to networking opportunities. Therefore, events such as the Business Accelerator play a significant role in facilitating

Testimonials from the Business Accelerator Programme

"From a retailer's perspective, the Accelerator is fantastic because it brings together so many different stakeholders into one room to discuss something that is truly exciting in terms of localisation. When you have a concept, it is often challenging to implement, but when industry players collaborate, we can achieve it together. I think that is what excites me about the Dragons' Den – seeing people on the ground doing amazing things in this country, and together, we can create magic. That is what I loved about today."

– Taryn Uys, Head of Sourcing at Sheet Street

"The presentations delivered in the Dragons' Den were exceptional. The pitches were the result of the SMMEs and all stakeholders' tireless efforts and investments. I was amazed by the quality and potential of the top businesses showcased at the event. The Accelerator is driving meaningful localisation and promoting significant transformation in the local furniture industry."

–Ravesha Govender, Programme Manager of the Economic Development Unit at eThekwini Municipality

"We had a really good day in the Dragons' Den. I was very impressed with the quality of the SMEs. I think it went very well, and I am quite encouraged to see the talent of the youth in South Africa."

– Ian Perry, Managing Director of Homewood

“Winning the most innovative award is surreal. I can't believe it. We were up against high standards of presentations, businesses, and skills that were showcased today. I didn't even think I stood a chance. Being here today is life-changing for me, and I'm excited about the future. This award is validation and confirmation that I'm on the right track."

-Busi Msimanga, Director of The Beanbag Specialist

“The most exciting thing about today was the level of presentations. This event has really stepped up its game, and it has been absolutely incredible to see the talent and passion out there. It's wonderful to see so many young people with a passion for manufacturing, especially given how challenging this industry can be.

I have so much respect for those who put themselves out there, and the bravery it takes to manufacture in this country is truly commendable. I'm excited to get in touch with some of these businesses.“

– Lucy Mullins, Resource Director at Mr Price Home

Business Accelerator Case Studies

<u>Bfurn (Pty) Ltd.</u>
<u>Business owner name: Blessing Zondi</u>

<u>The firm:</u> Bfurn is a 100% black-owned company founded by young entrepreneur and mechanical engineer, Blessing Zondi. The SME specialises in hand-crafted, custom-made interior furniture in addition to the design and installation of modern kitchen, bathroom and bedroom cabinets.

Their range of interior products includes but is not limited to pedestals, headboards, chest of drawers and dressers. Their service offering extends to CNC designs including decor items, partitioning screens, branding (feature wall logo cutouts), patterned door designs, spray paint/finish, metal work and welding.

Bfurn joined the Accelerator in March 2023 and had the opportunity to pitch to several large customers (Mr Price Home, Homewood and Sheet Street).

<u>Outcomes:</u> Bfurn was awarded "Most Promising/Innovative Supplier to the sector" in the Dragons' Den with potential commercial opportunities identified with Mr Price Home and Sheet Street.

<u>Next steps:</u> The SME has been onboarded to the cluster as a member. They will continue engaging with customers (Mr Price Home and Sheet Street) on the identified commercial opportunities to confirm customer requirements and needs.

The Beanbag Specialist
SME Owner: Busi Msimanga

The firm: Launched in 2020, The Beanbag Specialist is a 100% black female-owned company that manufactures all types of good quality beanbags produced locally in Edendale township.

Their product range consists of a wide array of styles and colours, catering for all age groups, and appealing to the entire family. The SME joined the Accelerator in March 2023 and had the opportunity to pitch to several large customers (Mr Price Home, Homewood and Sheet Street).

Outcomes: The Beanbag Specialist was awarded "Industry Gamechanger" in the Dragons' Den with potential commercial opportunities identified with Mr Price Home and Homewood. The SME also received exclusive first access to the Lean Manufacturing workshop and factory tour from 29-30 June 2023.

- Busi Msimanga, Director of The Beanbag Specialist

Next steps: The SME has been onboarded to the cluster as a member. They will continue engaging with customers (Mr Price Home and Homewood) on the identified commercial opportunities to confirm customer requirements and needs.

SHARED LEARNING PROGRAMMES

The Shared Learning programme included monthly opportunities to engage on interesting and innovative topics over the last year.

Manufacturing excellence: manufacturing meetups

The Shared Learning manufacturing meetup events are highly engaging sessions that focus on areas related to competitiveness, sustainability, growth and localisation. The events in the 2022-2023 financial year included online webinars, in-person best factory tours and hybrid sessions with inputs and content presented by leading firms and experts.

Some of the interesting topics from the last year:

- Online sessions
  - 2 August 2022 – Recruitment webinar
  - 19 October 2022 – Enhance Performance with Linde + Wiemann's Supply Chain Management Expertise
  - 25 January 2023 – Renewable energy sources for manufacturers: A solar energy business case analysis
  - 17 February 2023 – Localisation best practices approach- Lessons from TFG and Cape Union Mart
  - 28 March 2023 – Goodyear's Continuous improvement and problem-solving approach to driving excellence
  - 19 April 2023 – ITL's responsive approach to water management
  - 12 June 2023 – Major firm considerations to initiating the process of implementing renewable energy solutions

- Hybrid and in-person sessions
  - 25 August 2022 – Measurement & Monitoring Evolution at Dyefin Textiles
  - 15 November 2022 – TWIMS Management Sandbox: showcasing Next-Gen Manufacturing
  - 18 May 2023 – Jockey SA's impactful approach to leadership development

Manufacturing meetup: Energy & Resource Resilience

A particularly interesting topic was "Energy and Resource Resilience". To remain competitive, manufacturing firms must adopt strategies that support growth and sustainability. Given the global focus and challenges around the environment and sustainability, as well as specific issues that local firms are experiencing, for example around electricity and water, it is imperative that operations adopt an energy and resource resilience strategic focus. In addition to growth and sustainability, this is essential for continued operations and to maintain a competitive edge. The August manufacturing meet-up provided an opportunity for experts to outline strategies that firms could adopt to ensure that they are energy and resource-resilient.

Mary Haw shared some of the initiatives that the City of Cape Town has implemented, and the City's intention to become carbon neutral by 2050. Mary discussed data and measurement. The City of Cape Town has increased the efficiency of their buildings by collecting data on their buildings as data needs to be measured so that the result can be managed. The City introduced a new dashboard and feedback loop from meters to facility managers and introduced energy performance certificates that provide a benchmark performance and standard where buildings can be compared and ranked.

Chris Whyte unpacked transitioning to a circular economy where waste is a resource and not just about recycling. A circular economy looks at the inter-relationships of waste, energy water and the supply chain, where there is no such thing as waste as everything is interconnected and a use for the waste should be explored. He suggested that firms:

1. change the impact and narrative of waste as an outcome and rather see waste as a resource

2. consider the cost, transport, handling and storing of waste

Jimmy Christopher from ITL touched on resource resilience, monitoring and sustainability strategies. He discussed that firms need to clearly identify what their resources are and what the risks are within the business and should:

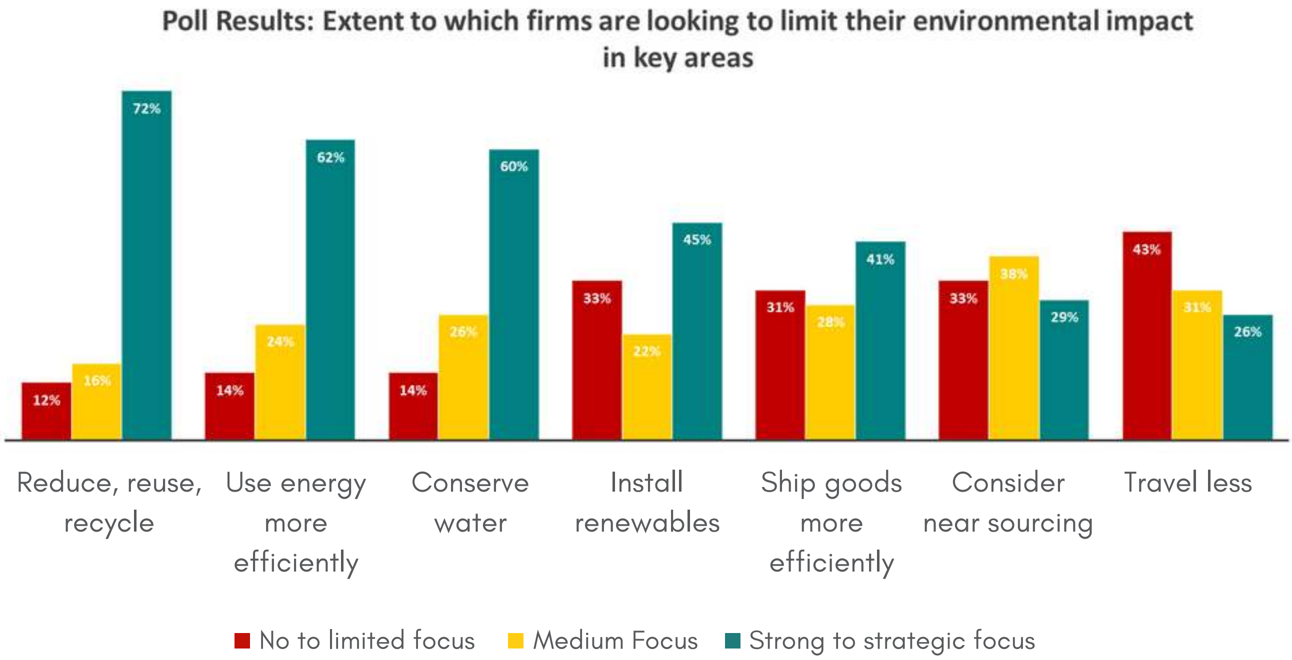
1. review potential waste streams including how energy is used, greenhouse gas emissions, water usage and waste, waste production, raw materials usage, chemicals usage and staffing

2. understand why it is important to be resource resilient and the impact it has on the business operations and consider key environmental safeguards

3. implement long-term sustainability strategies, monitor the process and ensure there are continuous improvements in plans

4. find solutions to upcycle waste e.g., treat home water onsite, carbon sequestering, using sugar cane paper instead of traditional paper

An interesting virtual poll gathered information about how firms are trying to limit their environmental impact. Participants highlighted reduce, reuse, and recycle as the area that is receiving the highest focus, followed by using energy more efficiently and conserving water. Installing renewables and shipping goods more efficiently received lower ratings, indicating less focus while sourcing and travelling less rated as the areas receiving no to limited focus.



SKILLS PROGRAMME

Skills Graduation: Celebrating Leaders in Lean

We were delighted to commemorate the successful completion of our TLDP and ELDP 2022 skills programme, as we celebrated graduation on 30th March 2023. Our accomplished graduates have now attained mastery in lean manufacturing and leadership. The graduation ceremony showcased impactful testimonials delivered by our graduates, providing a glimpse into their extraordinary journeys and notable accomplishments.

Throughout the event, the learners shared their invaluable experiences and the insights that they acquired through the programme. Additionally, members had the privilege to network with fellow industry professionals, rejoice in the remarkable accomplishments of our learners, and relish their camaraderie.

SKILLS DEVELOPMENT: GROWING INDIVIDUALS TO ENHANCE PRODUCTIVITY AND DRIVE GROWTH THROUGH TAILORED AND EFFECTIVE SOLUTIONS

In total the 2022/2023 skills programme saw learners completing 51 training modules through cluster programmes.

The Skills development programme is designed to support productivity and growth within manufacturing firms, and to provide a foundation for manufacturing employees to learn, implement and improve projects within their firms. The two key Skills Development programmes are the Team Leader Development Programme (TLDP) and the Emerging Leader Development Programme (ELDP)

The TLDP comprises 7 modules, aimed at providing an introduction to lean manufacturing principles applicable to team leaders and supervisors. The course is impactful and provides learners with sustained learning that includes practical and blended mentorship. The programme is engaging and will allow workers to identify and reduce waste, therefore supporting company waste management initiatives.

The ELDP comprises 6 modules, and includes conflict and change management and identifying business opportunities and improvement areas. The knowledge gained by these learners is applicable and immediately implementable, with demonstrated value added to firms.

Launch of TLDP Blitz

Also during the year, we launched a new in-person Blitz Fundamentals Training offers a practical, hands-on approach to empower employees with the knowledge and skills to eliminate waste and optimise processes through 6S. Over the course of two days, employees learn the core concepts of Lean Manufacturing and master the 8 wastes and 6S methodology, gaining the confidence to identify problems and find effective solutions.

TLDP Blitz programme overview

TLDP Blitz testimonials

THE YEAR AHEAD: 2023 - 2024

Programme	Activity	Deliverables
Diagnostics	Growth-focused diagnostics for leading firms and SMEs	• 10 firms benchmarked
Value Chain Development	Development and deployment of a study to document the capacity and capabilities of the local value chain	• EFC's value chain capacity and capabilities analysed and documented
Peer Learning	Best practice peer learning sessions	• 12 manufacturing meetups of which 3 are in-person factory tours
Skills Development	Providing sector-relevant lean and leadership training to front- line workers and emerging leaders	• 22 managers trained • 20 frontline workers upskilled • 15 operators trained on woodworking hand tools • 15 operators trained on technical drawing & materials
SMME Development	Connecting lead firms with high potential black SMEs and supporting SMEs to upgrade in order to secure new business	• 30 SME applications • 10 black SMEs upgraded
Market Access	State of the South African furniture industry annual report [including overview of global growth drivers]	• State of the South African furniture industry annual report
Cluster Management	Communications and stakeholder engagement	• 10 new members • Monthly communications shared with stakeholders

AWARDS

The cluster acknowledges and appreciates the active involvement of member firms. In recognition of their outstanding dedication and contributions to all cluster initiatives, as well as their unwavering and enduring support for the furniture sector in KZN, the following members are being honoured with awards for 2022/2023, with a particular focus on SMEs:

Firm	Award	Reason
Mr Price Group	Commitment to localisation	Commitment to unlocking commercial opportunities with individual SMEs, driving meaningful transformation and localisation.
The Beanbag Specialist	Most promising commercial opportunities Award	"Industry Gamechanger" prize winner in Dragons' Den due to their niche offering (beanbags) – bringing an offering that is fun and loved by all to the market. Unlocked commercial opportunities with leading retailers in the sector that could result in significant sales growth.
BFurn	Innovative Design Award	"Most Promising/Innovative supplier to the sector" prize winner in Dragons' Den due to their design niche. Unlocked commercial opportunities with leading retailers in the sector that could result in significant sales growth.
Homewood	Skills Champion	For their generous hosting out of EFC Lean Fundamentals training and commitment to skills development and knowledge sharing within the cluster. Hosted the first EFC Lean Fundamentals training, converting furniture orders into a classroom.
Woman's Vision	Top Skills Participant	Our top participant in skills development, with 4 employees participating in EFC skills programmes.
eThekwini Municipality	Funder Appreciation Award	This award recognises eThekwini Municipality for their outstanding partnership and unwavering commitment to the cluster and the broader furniture industry.
Lumka Sibanyoni	Chairperson Appreciation Award	In recognition of your time and dedication to the efforts of the cluster, which has benefited from your unwavering support of and contributions to our goals.

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

Takalani Rathiyaya
eThekwini Municipality Representative
eThekwini Municipality

Robert Stewart
Chief: Facilitator
Non-Voting member
BMA

Courtney Barnes
Chief: Facilitator
Non-Voting member
BMA

OUR PARTNER, ETHEKWINI MUNICIPALITY

The EFC would like to extend its appreciation to the eThekwini Municipality for their valuable partnership and support.

The eThekwini Municipality, through its Economic Development and Investment Promotion Unit (ED&IPU), plays a crucial role in providing public funding for the EFC. The ED&IPU's primary mandate is to foster economic development, promote job creation, drive economic transformation, and enhance economic intelligence within the municipal region.

The ED&IPU operates in accordance with policies established by the National and Provincial Governments. It aligns its efforts with the Municipality's Integrated Development Plan (IDP) and Economic Development Strategy (EDS). While the unit's activities are primarily guided by these plans, it also remains open to endorsing other initiatives, such as the Millennium Development Goals, to address the broader challenges faced by the region.

For more information about the eThekwini Municipality, please visit the website www.durban.gov.za.

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 LIST: 2022/2023

Afroawethu Interiors	079 243 8996
Alifurn	032 947 0011
Hedcor cc	031 205 9391
Homewood Manufacturing (Pty) Ltd	033 234 4450
Mholiwezizwe Architects & Design Studios (Mad Designs)	072 951 6305
Sakhikhono Training & Development	031 003 3123
Zaloetech	060 872 1393
Zulu Lounge	032 437 4800
Bfurn	082 771 1362
The Beanbag Specialist	081 543 0055
Middle Wood Ornaments	083 620-3107
Nadz Fashions	076 420-7020
Ruo and Rui Medical	071 146 7799
Skhuni Trends	073 636 0070
Teak and Tuft	072 231 8357
Wood and Craft	083 657 8603
Devin Timber Processing & Furniture Making	082 475 4739
Esed Business Enterprise	072 152 6194
Fabuleux House	072 373 9621
Gamdane Contracting and Trading	072 399 5431
L&L Furniture	084 039 3923

CLUSTER FACILITATION

Facilitation services to the EFC are provided by an independent team at BMA appointed through a competitive tendering process by the EFC Executive Committee. Founded in 1997, BMA 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 BMA please visit www.bmanalysts.com

ANNUAL FINANCIAL STATEMENTS 2022/2023

ETHEKWINI FURNITURE CLUSTER NPC
(Registration number 2018/397128/08)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

General Information

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	Block B Bellevue Campus 5 Bellevue Road Kloof 3610
Business address	Block B Bellevue Campus 5 Bellevue Road Kloof 3610
Postal address	PostNet Suite 10139 Private Bag X7005 Kloof Kwa-Zulu Natal 3650
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 of South Africa.
Preparer	The annual financial statements were independently compiled by: MJ Cassan Chartered Accountant (S.A)
Issued	27 September 2023

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

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 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 2024 and, in the light of this review and the current financial position, they are satisfied that the company 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 page 5 - 7.

The annual financial statements set out on pages 8 to 17, which have been prepared on the going concern basis, were approved by the board of directors on 27 September 2023 and were signed on its behalf by:

P F Ngema

L B U Sibanyoni

I W Perry

mazars

Mazars, Ridgeside Office Park
21 Richefond Circle, Umhlanga Ridge
Durban, 4319

Tel: +27 31 818 9000
Email: dbn@mazars.co.za
www.mazars.co.za

Practitioner's Compilation Report

To the Directors of Ethekwini Furniture Cluster NPC

We have compiled the accompanying annual financial statements of Ethekwini Furniture Cluster NPC based on information you have provided. These financial statements comprise the statement of financial position of Ethekwini Furniture Cluster NPC as at 30 June 2023, the statement of comprehensive income, statement of changes in equity 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 and Medium-sized Entities. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence, and due care.

These 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.

Mazars

Mazars
MJ Cassan
27 September 2023
Durban

mazars

Mazars, Ridgeside Office Park
21 Richefond Circle, Umhlanga Ridge
Durban, 4319

Tel: +27 31 818 9000
Email: dbn@mazars.co.za
www.mazars.co.za

Independent Auditor's Report

30 June 2023

To the Directors of Ethekwini Furniture Cluster NPC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ethekwini Furniture Cluster NPC set out on pages 9 to 17, which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss and other 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 financial statements present fairly, in all material respects, the financial position of Ethekwini Furniture Cluster NPC as at 30 June 2023, 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 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 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 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.

Continued-/

mazars

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 2023" which includes the Directors' Report as required by the Companies Act 71 of 2008 of South Africa and the supplementary information as set out on page 18, which we obtained prior to the date of this report. The other information does not include the Annual financial statements and our auditor's reports thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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-/

mazars

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 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 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 financial statements, including the disclosures, and whether the 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

Mazars
Partner: S Doolabh
Registered Auditor
27 September 2023
Durban

The directors have pleasure in submitting their report on the annual financial statements of Ethekwini Furniture Cluster NPC for the year ended 30 June 2023.

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. 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.

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 not aware of any new material changes that may adversely impact the company. 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.

6. Auditors

Mazars will continue in office as auditors for the company for the 2024 year.

Statement of Financial Position as at 30 June 2023

Figures in Rand	Notes	2023	2022
Assets			
Current Assets			
Trade and other receivables	2	291,449	44,329
Cash and cash equivalents	3	494,091	932,289
		785,540	**976,618**
Total Assets		**785,540**	**976,618**
Equity and Liabilities			
Equity			
Retained income		467,737	167,221
Liabilities			
Current Liabilities			
Trade and other payables	4	317,803	809,397
Total Equity and Liabilities		**785,540**	**976,618**

Statement of Comprehensive Income

Figures in Rand	Notes	2023	2022
Revenue	5	2,481,800	2,134,060
Other income	6	-	2,396
Operating expenses		(2,181,284)	(2,180,754)
Operating surplus/(deficit)	7	**300,516**	**(44,298)**
Surplus/(Deficit) for the year		**300,516**	**(44,298)**

Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Balance at 01 July 2021	**211,519**	**211,519**
Deficit for the year	(44,298)	(44,298)
Balance at 01 July 2022	**167,221**	**167,221**
Surplus for the year	300,516	300,516
Balance at 30 June 2023	**467,737**	**467,737**

Statement of Cash Flows

Figures in Rand	Notes	2023	2022
Cash flows from operating activities			
Cash (used in)/generated from operations	9	(438,198)	528,327
Net cash from operating activities		**(438,198)**	**528,327**
Total cash movement for the year		**(438,198)**	**528,327**
Cash and cash equivalents at the beginning of the year		932,289	403,962
Total cash at end of the year	3	**494,091**	**932,289**

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 of South Africa. 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 loans, trade receivables and trade payables. 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 instrument 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 value added taxes 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 value added tax and amounts received in advance, are subsequently measured at amortised cost, using the effective interest rate method.

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	2023	2022

2. Trade and other receivables

Trade receivables	287,500	7,201
Value added taxes	3,949	37,128
	291,449	**44,329**

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	494,091	932,289

4. Trade and other payables

Trade payables	317,803	793,222
Accrued expenses	-	16,175
	317,803	**809,397**

5. Revenue

Membership fees	26,800	34,060
Other project income	250,000	-
eThekwini Municipality	2,205,000	2,100,000
	2,481,800	**2,134,060**

6. Other income

Decrease in the provision of bad debts	-	2,396

7. Operating surplus/(deficit)

Operating surplus/(deficit) include the following expenses:

Consulting fees	2,127,514	2,149,181

8. Taxation

Non provision of tax

No provision has been made for 2023 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.

9. Cash (used in)/generated from operations

Net surplus/(deficit) before taxation	300,516	(44,298)
Changes in working capital:		
Trade and other receivables	(247,120)	(37,965)
Trade and other payables	(491,594)	610,590
	(438,198)	**528,327**

Figures in Rand	2023	2022

10. Related parties

Relationships		
Entities under common management	B and M Analysts Proprietary Limited	

Related party balances and transactions with other related parties

Related party balances

	2023	2022
Amounts included in Trade Payable regarding related parties		
B and M Analysts Proprietary Limited	317,677	791,717

Related party transactions

	2023	2022
Consulting fees paid to related parties		
B and M Analysts Proprietary Limited	2,127,514	2,149,181

11. Directors' and prescribed officer's remuneration

No emoluments were paid to the directors or any individuals holding a prescribed office during the year.

12. 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 not aware of any new material changes that may adversely impact the company. 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.

13. 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.

14. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2023

	Loans and receivables	Total
Trade and other receivables	287,500	287,500
Cash and cash equivalents	494,091	494,091
	781,591	**781,591**

2022

	Loans and receivables	Total
Trade and other receivables	7,201	7,201
Cash and cash equivalents	932,289	932,289
	939,490	**939,490**

Figures in Rand	2023	2022

15. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2023

	Financial liabilities at amortised cost	Total
Trade and other payables	317,803	317,803

2022

	Financial liabilities at amortised cost	Total
Trade and other payables	809,397	809,397

Detailed Income Statement

Figures in Rand	2023	2022
Revenue		
Membership fees	26,800	34,060
Other Project income	250,000	-
eThekwini Municipality	2,205,000	2,100,000
	2,481,800	**2,134,060**
Other income		
Decrease in provision for bad debts	-	2,396
Operating expenses		
Administration fees	10,000	-
Advertising	12,812	-
Auditors remuneration	27,983	26,350
Bad debts	-	2,083
Bank charges	1,162	1,940
Consulting fees	2,127,514	2,149,181
Increase in provision for bad debts	3,013	-
Secretarial fees	(1,200)	1,200
	2,181,284	**2,180,754**
Surplus/(Deficit) for the year	**300,516**	**(44,298)**

CLUSTER CONTACT INFORMATION

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