

ctfa

COSMETIC TOILETRY & FRAGRANCE
ASSOCIATION OF SOUTH AFRICA

ANNUAL REPORT 2017



MISSION

To support and develop a sustainable and respected South African Cosmetic Industry by proactively stimulating actions and developing tools that contribute to its growth and the progress of its Members' while promoting consumer safety.

"CTFA has built a reputation for encouraging a responsible South African Cosmetic Industry, by developing Codes of Practice and Standards. Through these tools, we are a committed industry bound by ethics, and consumer safety has remained our main focus, upon which we will continue to build."

Adelia Pimentel || *Executive Director, CTFA*

KEY ROLES

1. Promote a responsible regulatory environment.
2. Focus on issues and activities important to Members by providing scientific strength and a credible co-ordinated voice to Government, the Media and key Stakeholders.
3. Create the most favourable economic and regulatory operating environment by advocating best practice and accountability.
4. Align and optimise South Africa with global regulatory standards.
5. Enhance the value of the association to Members by addressing their local/international needs in an efficient manner.
6. Promote social responsibility through the activities of the Look Good Feel Better programme.

CONTENT | CTFA ANNUAL REPORT 2017

2 **CHAIRPERSONS REPORT**
By Mark Hobbs, Chairperson

4 **EXECUTIVE COUNCIL**
The CTFA Executive Council members

5 **EXECUTIVE REPORT**
By Adelia Pimentel, Executive Director

7 **FINANCIAL REPORT**
By Elmarie Groeneveld, Accountant

9 **REGULATORY AFFAIRS AND TECHNICAL SERVICES**
By Dershana Valla and Judy Nobin

14 **CTFA MEMBERSHIP**
Becoming a CTFA member

16 **TEAM CTFA**
Meet the dedicated team behind CTFA

17 **LOOK GOOD FEEL BETTER**
Social Responsibility by Christie Fraser, Programme Director

19 **FINANCIALS**
Annual Financial Statements for the year ended 31 December 2017



CHAIRPERSONS REPORT

Although we are a small industry in South Africa in comparison to other major industries we play a vital role by enhancing the welfare of our citizens. In such difficult economic times it is reassuring that as an industry we can provide products that can truly benefit our consumers whilst still remaining on a growth trajectory. Our industry has a strong combination of multi- national players, established local players and small start-up companies all offering something new and different for South Africa and beyond our borders.

I am pleased that throughout 2017 the CTFA has been at the centre of supporting the industry in removing as many barriers to growth as possible. Not only has there been the potential for the introduction of new cosmetics legislation, but also legislation on waste management and outcomes relating the Biodiversity and Bioprospecting Act.

As we all know 2016 was a watershed year with the publication on the 19th August by the Department of Health (DoH) of the draft regulations relating to the labelling, advertising and composition of cosmetics in terms of the Foodstuffs, Cosmetics and Disinfectants Act 54 of 1972. 2017 on the other hand was a frustrating year as we waited for more detail and clarification on those forthcoming regulations.

The CTFA has played a pivotal role in coordinating and consolidating member comments and concerns, regarding the proposed legislation. During 2017 the team has continued to challenge and provide input into amending the legislation. We were rewired late in December 2017 with the 2nd Draft of the legislation. Now with a three month window to submit comments, the Regulatory team is working tirelessly to ensure that we have a workable document going forward. Following the submission of comments we are expecting a final workshop with the DoH and all interested parties before promulgation later in 2018.

I continue to believe the regulations are a positive step in building the future of our industry, as long as we continue to be fully involved in their development and effective introduction. Having focussed on the cosmetics legislation so far, it should also be noted that there were a number of other potential changes to regulations that have required significant input from the CTFA team.

The information on waste management from the Department of Environmental Affairs (DEA) has been lacking in structure. We finally have a request for registration, yet wait to truly understand how the system will operate in the future. The team has made a brave attempt at keeping our membership aware of the plans

Again, after considerable lobbying of the DEA regarding the Biodiversity Act 2004 (Act No. 10 of 2004) and the Bio prospecting, Access and Benefit Sharing (BABS) Regulations of 2008, the Department proposed a period of amnesty of 24 months from date of notice publication. The notice further details the scope of the amnesty in terms of the affected person/applicant, process, phase, requirements, related timelines and implications of non-compliance.

The CTFA has shown great willingness to take the conversation to government departments and in 2018 will continue the vital role it is playing is promoting and leading the industry position. It is evident that the need to develop strong relationships and improve engagement with all governmental bodies is critical to the growth of our industry. I was fortunate this year to have the opportunity to sit





with the SABS team to discuss how we can improve the working relationships on the technical committee 217 to ultimately improve the South African input into the ISO standards programme.

Whilst the regulatory changes have taken a great deal of time it should not be forgotten we have continued to respond to numerous membership enquiries on ingredient requirements, on artworks and even certificates for exporting.

The CTFA continues to develop a comprehensive range of services for an increasing membership base, a further 5% increase in member numbers was achieved in 2017. The CTFA supports multinational corporations, raw material suppliers, manufacturers, brand owners, importers, exporters and retailers all of which have a role to play in the industry value chain. The CTFA's role includes technical guidance, industry updates, active stakeholder lobbying with various government and industry bodies, representation and affiliation to various local and international bodies.

One area where all sectors benefit is regulatory global harmonization, which is key for all in the cosmetic industry and the CTFA is part of the process for both Africa and global convergence in the legislative environment.

The growth of our industry has been mirrored by the development of the team within the CTFA that supports us all. Adelia Pimentel our Executive Director has continued to build her team with the introduction of Omphile Lehau taking on the role of Membership and Development Officer. This has strengthened the team to provide closer support to all of our membership and given Adelia more time to focus on the strategic direction of the CTFA including the key regulatory challenges.

Both Dershana Valla our regulatory affairs Manager and Judy Nobin our Technical manager have provided an excellent technical service over the last year.

Looking forward into 2018 we will look to recruit extra support to the Regulatory and Technical team as the demands from an increasing membership grow year on year. In 2018 the CTFA will offer even greater benefits to our member companies with improved communication of information, knowledge sharing and connectivity to government organisations. I believe we are well placed to meet the demands of the forthcoming year.

I would like to thank those companies that have provided monetary support or product donations to the CTFA social programme.

The CTFA's social programme Look Good Feel Better (LGFB), continues to provide unique support to cancer patients; 3 584 in 2017 and an incredible 40 000 since 2005.

2017 was truly a year of change for LGFB as we said goodbye to both Margaret Hewson and Charmaine van Schalkwyk. I would like to pay tribute to their efforts; from the start in 2005, they have been instrumental in the development and growth of LGFB in South Africa. We are very pleased however to have welcomed Christie Fraser as our new Programme Director, who has already set LGFB on a new path with great commitment and determination. Finally, I would like to express my gratitude to all of the volunteers who give up their time for those less fortunate on a regular basis for no monetary reward and Glenda Hutchins in the Johannesburg office who has continued through many changes to keep LGFB operating effectively.

Mark Hobbs || *Chairperson*

EXECUTIVE COUNCIL

The CTFA Executive Council at the end of the year under review:

Mark Hobbs - Chairperson
Indigo Brands (Pty) Ltd



Enrico Baldassarri
Revlon South Africa (Pty) Ltd



Ilse du Toit
Avon Justine (Pty) Ltd



Nizam Kalla
Amka Products (Pty) Ltd



John Knowlton
Cosmetic Solutions



Priyan Pillay
Colgate-Palmolive (Pty) Ltd



Sandeep Rai
L'Oreal South Africa (Pty) Ltd



Wayne van Wyk
Vantage Specialty Chemicals (Pty) Ltd



EXECUTIVE REPORT

The value of the CTFA is in building trust in the local cosmetic industry with member stakeholders, related bodies and consumers alike. Jointly we have stepped up to challenges in the regulatory field based on factual scientific data and maintaining a reputation that levels the playing field for industry. The very active legislative environment in 2017 paved the way for the CTFA. Whilst challenges abounded, many milestones were achieved and stronger relationships were forged with key local and global stakeholders and members.

2017 brought in a significant number of new members seeking CTFA services, these constituted mostly of small and medium sized entities who need assistance in becoming and staying compliant within a very fluid industry. Membership categories and benefits were revised to become more focal to the various sectors' needs; which included adding a manufacturing category. CTFA entered into an agreement with the Department of Trade and Industry to assist small companies, who are being groomed by various incubation hubs and the South African Export Council (CECOSA) for trade shows in various parts of the world. The CTFA is part of the process of ensuring that these companies are compliant in all aspects and understand the regulatory requirements of their products. This agreement will ensure that companies representing South Africa will showcase their compliant products and are good ambassadors for the country.

The CTFA also housed various discussions with CECOSA and the Dti in relation to exports and the legislative environment globally with a specific focus on sub-Saharan Africa.

In June 2017 the CTFA added a new resource to the team, Ms Omphile Lehau, who joined the organisation in the capacity of Membership & Development Officer. This role will assist in having a more pro-active approach to members and ensure adequate communication to the member base in various formats.

On the technical front, the main focus in 2017 was, no doubt, the continuation of negotiations with the Department of Health (DoH) on the commentary submission relating to the Advertising, Labelling and Composition of cosmetics draft regulations. Through various interactions the DoH were keen to understand the industry position and to have an ongoing dialogue to establish effective legislation across all sectors of the industry. Post the submission of comments to the Department of Health on the Draft Regulations, the CTFA embarked on a roadshow to share the highlights of the submitted commentary.

The NRCS was also invited to address members on the pending Legal metrology Bill and the compulsory specifications related to the cosmetic industry. This intervention was welcomed by the members.

On 22 December 2017, the DoH published Government Notice R1469 relating to Advertising, Labelling and Composition of Cosmetics for a further 90-day public commentary period. This redraft took into account the comments submitted by the CTFA, on behalf of industry, and many of the highlighted areas and relevant proposals were adopted by the DoH, which boded well for industry.

In May 2017 the CTFA were mandated to attend the International Organisation for Standardization (ISO) plenary meeting in Paris and then again in October 2017 in Columbia.



ISO is an independent, non-governmental organization, the members of which are the standards organizations of 162-member countries. It is the world's largest developer of voluntary international standards and facilitates world trade by providing common standards between nations.

The standards serve to safeguard consumers and the end-users of products and services, ensuring that certified products conform to the minimum standards set internationally. For this reason it is an honor for the CTFA to represent South Africa as industry experts in this forum and naturally keeps the CTFA at the cusp of standard developments globally.

In July 2017, the CTFA accompanied the DoH at the ICCR 11 meeting in Brasilia, Brazil. The CTFA attended as an observer country. We were invited to present industry commentary on the draft regulations to both the international regulators and trade associations, alike.

The CTFA and the industry at large have worked tirelessly to create trust and bridge the gap between industry and the Department of Environmental Affairs (DEA) in reaching alignment on BAB's regulations and requirements at individual and industry driven meetings and forums. Bioprospecting permits remained a contentious issue in 2017. During 2017 the CTFA embarked on an intensive campaign to engage and align DEA and industry by setting up one on one consultation sessions and partnering on roadshows in order to create industry awareness and identify specific concerns related to BABS. As a result a number of companies have begun engagements with DEA on matters related to BABS for resolution. These CTFA initiatives as well as other industry driven initiatives culminated in the publication of the Amnesty Notice 1155 on 1 November 2017; informing of the Minister's intention relating to a proposed amnesty period to facilitate the revision and compliance to Chapter 6 of NEMBA and BABS regulations.

The CTFA continued to strengthen its relationship with the South African Bureau of Standards (SABS) throughout 2017. A notable change was the acknowledgement of the CTFA role in rallying industry mandate, commentary and votes, which led to the CTFA solely voting for and behalf of industry at the SABS and ISO TC 217 platforms.

2017 saw the DEA publish Notice 1353 calling on the Paper and Packaging industry, Electrical and Electronic industry and Lighting industry to prepare and submit Industry Waste Management Plans to the Minister for approval and for the registration of "Producers "as defined by the notice which is inclusive of Brand owners, Importers, Retailers and Material Suppliers. This will continue well into 2018 as a hot topic that CTFA will keep members informed on.

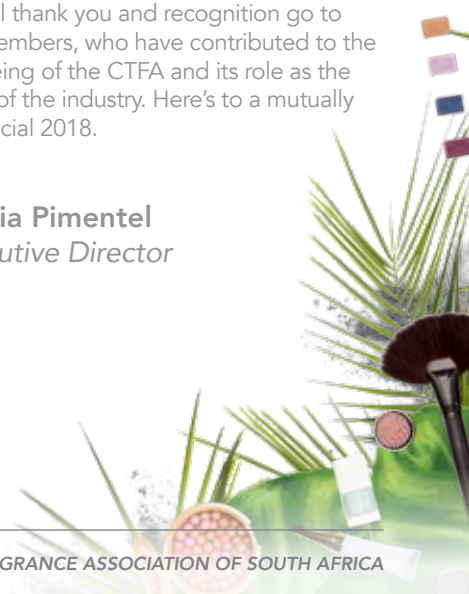
In April 2017, the CTFA attended a special Advertising Standards Authority of South Africa (ASASA) Annual General Meeting. At the AGM the CTFA, Executive Director, volunteered to become a member of the interim board at the ASASA, with the aim to better understand the intimate matters surrounding the membership and funding models under discussion and to be the voice of the industry in related matters. Later in 2017 the accreditation process was placed on hold largely due to general dissatisfaction from the ASASA membership. The ASASA is still under business rescue and the CTFA will keep monitoring its future and implications to the cosmetic industry.

International partnerships are paramount to the cosmetic industry staying globally abreast of the legislative environment and understanding the need for global harmonisation. The CTFA is a member of the Sub-Saharan African Task Force set-up by Personal Care Products Council (PCPC) and Cosmetics Europe(CE). The role of the task force is to monitor regulatory development in the Sub-Saharan region and in so doing promote and influence global best practice. South Africa's regulatory reform continued to be an agenda point at these meetings in 2017. The CTFA has engaged with the Task Force in an effort to ensure global alignment/ conversion and international support.

I would be amiss if I did not mention the CTFA's corporate social responsibility arm, Look Good Feel Better, who have made a huge difference in the lives of so many people fighting cancer. A commendable total of 3 584 patients participated in 340 workshops throughout 2017. The dedication of both the LGFB staff and the volunteers is remarkable. A sincere thank you to all CTFA members who support this worthy cause.

My thanks go to the Board of Directors for their guidance and support, and a special thank you and recognition go to our members, who have contributed to the wellbeing of the CTFA and its role as the voice of the industry. Here's to a mutually beneficial 2018.

Adelia Pimentel
Executive Director



FINANCIAL REPORT

The Association's primary focus during the year under review continued to be on lobbying, advocacy and member benefits whilst simultaneously generating revenue.

The economic climate did not improve much from the previous year and continues to be a challenging one, however, the CTFA has taken decisive steps to stay sustainable by focusing on the changes that are happening in the industry and adopting new strategies to stay ahead of new legislation.

Amongst our Association's greatest strengths is the unwavering commitment to build and grow our capabilities to ensure members' loyalty and growth and as a result the industry's future success. We continue to make strategic decisions that position the CTFA as a leader in the regulatory space whilst keeping it financially healthy.

The period under review, 2017, was a financially successful year for the CTFA. With sound financial management the Association met the approved budget and reported a surplus. This was mainly due to sundry income and savings on a staff position which was filled only in the second half of the year.

Income generated from membership grew by 6% over the prior year, due mainly to new members that joined the Association. We acquired 29 new members, bringing the total membership up to 144 companies. Income generated from artwork reviews reflected a 34% increase over prior year and interest income a 38% increase. This boded well for the Association in closing the year above budget.

Operating expenses were well controlled and reflect a 4% increase over the prior year, totalling R4,353,390 for the year. A total of 74 members enjoyed the benefit refund of the early settlement offer.

We will continue investing back into the organisation for the benefit of our members. Despite ongoing industry challenges, 2017 can be described as a time of consultation, change, growth, dialogue and also great teamwork.

Watermans have expressed willingness to continue as auditors for the next financial year and a resolution proposing their reappointment will be submitted at the forthcoming Annual General Meeting

Elmarie Groeneveld || *Accountant*

Note: After 20 years of managing the financials for CTFA, Elmarie Groeneveld, retired at the end of 2017. We would like to thank her for her diligence and unwavering support during her tenure at CTFA and wish her well in her future endeavours.

New Members A-Z: Centre of Excellence - North-West University, Dis-Chem Pharmacies LTD, Majestik (Pty) Ltd, Dabur South Africa SA Pty Ltd, Phephisa Natural Resource Institute, Desire Glen Beauty, Africanon Proprietary Limited T/A AKAN Organics, Bellezza Laboratories Pty Ltd, Bliss Healthcare (Pty) Ltd, Brazilian Hair Secrets Repair and Treatment Hair Centre, Burnshield Pty Ltd, Cheryl Clark, Chimera Systems (Pty) Ltd, Charoworxc t/as Cupboom, Earth Elements, Emily Hair And Beauty Cosmetics, LJ Cosmetology, Natural Earthy Delights, Saseka Investment Holdings (Pty) Ltd, Solution Oasis LTD, Tip Top Nails cc, Totally Wild (Pty) Ltd, The Homestead Natural Product Company (Pty) Ltd, Venus Concept Africa (Pty) Ltd, Demron Organic cc, Pierre Fabre, Urban Laboratories International LLC

Diagram 1: Member categories 2017

Associates, Retail and B to N full Members

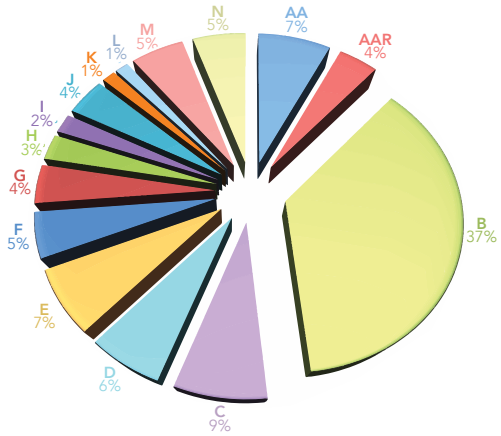
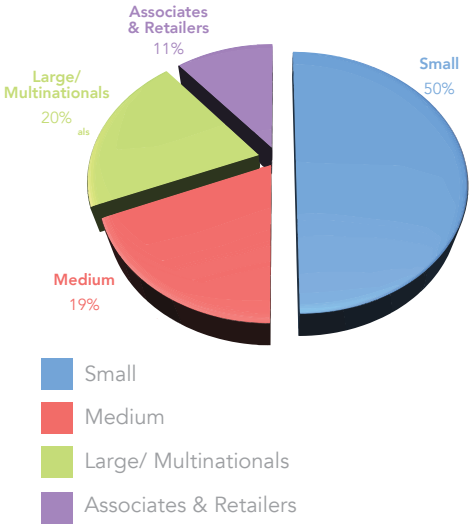


Diagram 2: CTFA Membership by size of companies



The active regulatory and legislative environment certainly mapped the pace and strategic direction for the CTFA in 2017. Despite these challenges, milestones were achieved and stronger relationships were forged with key stakeholders and members by embracing an adaptive approach to the changing environment.

Department of Health (DoH) government notice R1469 regulations relating to advertising, labelling and composition of cosmetics

The key focus in 2017 in the regulatory space was the reform and evolution in regulations governing the cosmetic industry in South Africa.

Post commentary submission in 2016, the CTFA held several meetings with the Regulator to ensure a common understanding of the South African Cosmetic industry, highlight key areas of concern and agree on the way forward. The meetings were positive overall with the Registrar recognising the CTFA as the competent representative of the cosmetic industry in South Africa. The regulator conceded that the regulations should be conducive to ensuring a thriving cosmetic industry. It was clear that the CTFA submission held weight and that the industry comments were welcomed. The DoH were keen to understand the industry position and to have an ongoing dialogue to establish effective legislation across all sectors of the country. In October 2017, we received confirmation from the DoH that a redraft of the regulations was imminent and that a second 90 day commentary period would be granted.

On 22 December 2017, the DoH published Government Notice R1469 Regulations relating to Advertising, Labelling and Composition of Cosmetics for a further 90-day public commentary period. The CTFA with a focused Cosmetic Regulation Review II (CRR) work group, reviewed the redrafted regulations, for submission to the DoH by March 2018.

South African Health Products Regulatory Authority (SAPHRA)

On 1 June 2017, the South African Health Products Regulatory Authority (SAHPRA) was launched as per Government Notice 20, Medicines and Related Substances Amendment Act, 72 of 2008, with a focus in medicines and related substances. The CTFA is keeping a close eye on where the regulatory function for cosmetic products will reside in the future with the pending regulations on the horizon.

Medicines Control Council (MCC) - Cetylpyridium

The Medicines Control Council (MCC) shared a communication on Cetylpyridium chloride (CPC) in June 2017. The council discussed the regulatory and scheduling status of cetylpyridinium chloride under the ambit of the Medicines and Related Substances Act, 1965 (Act 1010 of 1965) and resolved as follows: "cetylpyridinium chloride containing products are exempted from registration as a medicine when the intended use of cetylpyridinium chloride is as a preservative in a cosmetic in terms of the provisions of the Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act 54 of 1972) in the following concentrations:

- Mouthwash cosmetic products up to a concentration of 0.1%;
- All other oral hygiene cosmetic products up to a concentration of 0.5%;
- Skin lotions and creams up to a concentration of 0.2%;
- Anti-perspirant deodorants up top a concentration of 2.0%"

Legal metrology - department of trade and industry's notice 331 of 2016 – draft metrology bill, 2014 – notice in terms of section 38(4) of the legal metrology act

On 15 February 2017, the CTFA attended a workshop hosted by the National Regulator for Compulsory Specifications (NRCS) as an opportunity to discuss the comments submitted on the first draft and the subsequent changes adapted on the second draft. The NRCS staff as well as the Department of Trade and Industry (Dti) Director and Deputy Director were present at the workshop. The concerns submitted by the CTFA were addressed with the following responses:

The registration process for manufacturing and importing companies.

All manufacturers must register within one year of the publishing of the Act. All importers whose products bear the e-mark must also register with the NRCS. The application forms are available on their website. There is no charge for registration as the main aim of the process is to ensure that companies register so that the NRCS is aware of the industry types they are operating in. No turn-around period was stated as they cannot predict how long the process will take which is dependant on the number of applications received. No comment was made on penalties

but competitors/consumers/industry can report unregistered companies to the NRCS for further action.

Responsibility of the importer

The NRCS will not prescribe how the importer should ensure supplying company compliance. The expectation is that the importer will ensure that their supplier is fully compliant to the requirements of the Act prior to importing products. Importer will be held liable for the imported products.

How will impact assessment and extent thereof be decided on?

The industry will be consulted on the impact and the Dti will determine the extent thereof.

In July 2017, the CTFA received notification that the Bill was under review by the State Law Advisor and that there is currently no need to register products. Upon publication of the Legal Metrology Bill, the NRCS will issue the application form, which will be made available to members via the CTFA website. The CTFA will continue to work closely with the National Regulator for Compulsory Specifications, to secure updates to members.

SANS289:2016 Edition 1.6 – Labelling requirements for prepackaged products (prepackages) and general requirements for the sale of goods subject to legal metrology control. The proposed Edition 2 of the standard was not forthcoming in 2017 and we hope to make headway on this in the new year.

Advertising Standards Association of South Africa (ASASA) – cosmetic advertising industry code of practice

With the ASASA under Business Rescue in 2017, the Annual General Meeting (AGM) was not held in June 2017, thus no annual revision of the cosmetic code was done by the ASASA review committee. The CTFA secured an immediate adhoc review committee meeting, in early 2018, to ensure that the updated code was reviewed and made available on the ASASA website.

Animal testing ban

On 30 November 2017, The Department of Agriculture, Fishery and Forestry (DAFF) published the animal protection amendment bill, 2017 and a memorandum on the objects of the bill for public comment.

The amendments call for a prohibition of the sale and manufacturing of cosmetics that were tested on an animal in the republic; criminalise the testing of cosmetics on animals; and criminalise the failure to provide an animal with an appropriate environment; and related matters. By virtue of a proposal to amend the definition of "prohibited article" in the Foodstuffs, Cosmetics and Disinfectants Act 54 of 1972, imported cosmetic products will also be affected. In December 2017, CTFA presented industry comments in a letter to the speaker of parliament. The process that will ensure in quarter one of 2018 will see the speaker presenting the proposal to Parliament, after which, the proposal will either be rejected or accepted. If it is accepted the proposed amendments will be adopted in the Animal Protection Act, 1962 and the Foodstuffs, Cosmetics and Disinfectants Act 54 of 1972.



These Acts will be published for public comments during which time the local and international industry stakeholders will be granted the opportunity to submit their commentary.

The CTFA will invite the technical committee members to participate in the work group that will be convened to focus on developing a position in the event that the proposal is accepted by Parliament.

Self-Monitoring and Action Committee (SMAC)

SMAC is a work group that is tasked with addressing and handling product safety related matters within the industry and was re-established in 2016. The aim of this workgroup is to provide a sounding board for members to voice any known or identified cases of product safety related to non-compliance within a self-regulated industry. With the impending regulations on the cosmetic industry, the function of this work group is continuously changing, as transgressors will be required to be made aware of the specific requirements on product safety stipulated in the regulations. The CTFA continues to assist by steering members to the relevant authoritative bodies or regulator for further action and recourse.

Dershana Valla || *Regulatory Affairs Manager*



International Organization for Standardization (ISO) held its 2017 conference in colombia

The CTFA attended the ISO Plenary Meeting held in Cartagena, Columbia in October this year. Due to budgetary and timeline constraints no additional industry experts nor South African Bureau of Standards (SABS) representatives were able to attend. The mandate was bestowed on the CTFA to represent South Africa and to position the industry in the various workgroups mentioned below:

WorkGroup1 (WG1) - Microbiology focussed on the review of 21322: microbiological testing of impregnated or coated products draft document, where the WG aligned on revising the document title and scope to focus solely on wipes and masks. This decision was taken in order to align the methodology contained in the draft document to specific product types. The WG further discussed ISO/WD 11930: Cosmetics-Microbiology-Evaluation of the antimicrobial protection of a cosmetic product. Japan presented test data indicating significantly improved results based on methodology optimisations. Specific countries indicated that the standard was in use for a number of years with great results. Experts recommended additional laboratories to conduct the test protocol in order to correlate test results prior to aligning on standard revision. It was also agreed that the banning of Triton multiplied by 100 currently in use and referenced in the ISO Microbiological standards and the future inclusion of clauses into standards to ensure adherence to all aspects of ISO standards and not partial alignment, could mislead industry.

WG3, The Analytical Methodology workgroup confirmed that ISO/DTR 18811 Cosmetics - Guidelines on the stability testing of cosmetic products had been sent for publication at the beginning of September and is pending publication. Measurement of traces of heavy metals in cosmetic finished products for Mercury (using DMA-Direct Mercury Analysis), ring trial results were discussed with the results being comparable to other currently existing Mercury analysis methodology results. Locally, Merieux NutriSciences participated in the ring trial and will together with other participating laboratories be valorised in the scientific article to be developed for publication. Further discussions were held on ISO and CEN potential partnership in developing a standard for Mercury analysis using other methodologies such as AAS which will be considered by the workgroup moving forward.

WG7, on Sun Protection Methods was a very active group with a number of ring trials being conducted for ISO/NP

24444 Cosmetics - Sun protection test methods – in vivo determination of the sun protection factor (SPF) and water resistance. Discussions were held on the new standard sample development and criteria for ring trials. Cosmetics Europe presented data from studies conducted on currently marketed products, which will form the acceptance criteria for the evaluation of results obtained from sun protection methods being modified, developed and alternative methods developed for human (volunteer) safety and ethical considerations. An alternative methodology currently underway is the HDRS (Hybrid Diffuse Reflectance Spectroscopy), requiring the use of specialised Diffuse-Reflectance Spectroscopy equipment to provide in vitro and in vivo (hybrid) SPF results. HDRS would potentially have additional benefits in terms of cost efficiencies by testing between eight to ten product samples in an hour, using a single product sample for analysis and results for SPF, UVA and critical wavelength values. This alternative amongst others currently being developed would offer an ethical and safe alternative to the in vivo test methods currently being utilised globally. Developments, publication and potential local adoption of these standards will impact local testing facilities and potentially have ripple effects on industry at large in the future.

Department of Environmental Affairs - National Environmental Management: Biodiversity Act 2004, chapter 6 – amnesty period

The CTFA and the industry at large have worked tirelessly to create trust and bridge the gap between industry and the Department of Environmental Affairs (DEA) in reaching alignment on BAB's regulations and requirements at individual and industry driven meetings and forums.

Bioprospecting permits remained a contentious issue in 2016 and 2017, with The Department of Environmental Affairs (DEA) Bioprospecting forum and work groups kicking-off in March of 2016. The forum focussed on understanding and aligning with industry, Traditional Knowledge Holders, the DEA mandate and all stakeholders' concerns and requirements. The four individual work groups focussed on best practice guidelines, a simplified regulation system, BABS permitting system and Traditional Knowledge and Benefit Sharing. These work groups delved into detailed discussions while tackling difficult and sensitive socio-economic, political and commercial aspects for alignment and resolution. The DEA indicated that the NEMBA Chapter 6 review and amendment process would be a long term plan with promulgation happening in 2019. The set-up of a multi-technical stakeholder task team will be required with intensive forum engagement. An expression of interest to serve on the technical team for amendment of Chapter 6 of NEMBA (National Environmental Management: Biodiversity Act 2004 (act No .10 of 2004) was sent out by DEA on the 16th of September 2016, for DEA team selection and notification. The CTFA combined forces with other stakeholders in escalating industry concerns and requesting an amnesty from the minister to address the existing gap until NEMBA promulgation in 2019. This subsequently led to the Amnesty proposal being submitted to the Minister in June 2016. The DEA emphasized that Amnesty would be granted at the discretion of the Minister, was not a guaranteed outcome and the need for it to undergo legal and expert review prior to the Minister's approval. The DEA held a 5 week Bioprospecting Laboratory which culminated in the development of the BioPanza concept, which aims to establish a holistic and integrated approach with all parties involved in the Biodiversity and Bio-economy value chain.

DEA confirmed in November 2017, that the amnesty proposal was still under review due to numerous concerns with the current status quo remaining in alignment with NEMBA. During 2017 the CTFA embarked on an intensive campaign to engage and align DEA and industry by setting up one on one consultation sessions and partnering on roadshows in order to create industry awareness and identify specific concerns related to BABS. As a result, a number of companies have begun engagements with DEA on matters related to BABS for resolution. Prior to these initiatives the CTFA and industry were informed that the Amnesty was not guaranteed and that the industry's intention seemed to avert their accountability in terms of the regulatory requirements. However, these CTFA initiatives as well as other industry driven initiatives culminated in the publication of the **Amnesty Notice 1155 on 1 November 2017**; informing of The Ministers intention relating to a proposed amnesty period to facilitate the



revision and compliance to Chapter 6 of NEMBA and BABS regulations. The notice further detailed the scope of the amnesty in terms of the affected person/ applicant, process, phase, requirements, related timelines and implications of noncompliance. The proposed period of amnesty is 24 months from date of notice of publication. The DEA has given due consideration and implemented a number of aspects that were put forth to them at various BABS forums, workgroups and individual engagement sessions; such as the twenty four month amnesty period and specific amendments to NEMBA which are currently under consideration. The Amnesty period will offer industry some reprieve to identify and negotiate Benefit Sharing Agreements with Traditional Knowledge holders, while the NEMBA Chapter 6 revisions are underway for promulgation in 2019.

South African Bureau of Standard (SABS)

The CTFA continued to maintain and strengthen their relationship with the South African Bureau Of Standards (SABS) via membership on SABS Cosmetics Technical Committee 217. In 2017 the local Sunscreen standard, **SANS 1557** was revised and is currently pending publication by mid-2018. It is important to note that the revised standard now provides criteria for the broad-spectrum claim which will only become applicable post SANS 1557 publication. The Sunscreen workgroup opted for a two phased approach when revising the standard. The short term approach was in order to align to the Department of Redraft publication, sunscreen filter list and revise immediate concerns. The second phase of the revision will consider revisions made on Sun protections methods at ISO level and take into account other local regulatory changes.

The CTFA also input into the strategic business plan, programme of work and supported SABS platform within cosmetics for 2017. An instrumental change made by SABS in 2017 was the acknowledgement of the CTFA role in rallying industry mandate, commentary and votes, which led to the CTFA solely voting for and behalf of industry at the SABS and ISO TC 217 platforms. The CTFA has been working with industry in creating awareness on this matter and ensuring that industry actively participate within the standards arena for global relevance, local context and sustainability.

Industry Waste Management Plans (IWMP)

IWMP's continued to be a hotly debated topic by the Department of Environmental Affairs (DEA), the packaging industry and associations on behalf of brand owners. 2017 saw the DEA publish and then retract notices, thereafter consulting with industry prior to finally publishing **Notice 1353** calling on the Paper and Packaging Industry, Electrical and electronic industry and Lighting Industry to prepare and submit Industry Waste Management Plans to The Minister for approval and for the registration of "Producers "as defined by the notice which is inclusive of Brand owners, Importers, Retailers and Material Suppliers using industrial bulk containers (IBCs) or Users of IBC's below the stipulated 1000 litre threshold as defined in the notice.

The IWMP consultation and submission periods are yet to follow. Post this period, The Minister will approve IWMPs, following which "Producers" are required to subscribe to at least one IWMP with a PRO (Producer Responsibility Organisation) within their majority waste stream sector. Thus far DEA have not provided further details on the Waste Tax strategy and implications thereof, which would additionally impact industry players.

The CTFA technical committee

Members remained actively engaged in numerous workgroup activities, steering through challenging times with the promulgation of the Department of Health Redraft of Cosmetics Regulations, uncertainty surrounding the ASA, Industry Waste Management Plans, the BABS Amnesty and managing the standards environment.

Judy Nobin || *Technical Manager*

These were some of the technical highlights from 2017 for the CTFA.



The CTFA would like to convey its gratitude to the Technical Committee who dedicate their expertise and resources in developing the framework for local industry compliance.

The Technical Committee (TC) members are:

- Allen Frank – Amway South Africa (Pty) Ltd
- Allistair Mokoena - Johnson & Johnson (Pty) Ltd
- Babalwa Mantyi – Colgate Palmolive (Pty) Ltd
- Christine Charlton – L'Oreal South Africa (Pty) Ltd
- Conny Oberrautter – CIO Consulting
- Givemore Mushayi - Innovata Pharmaceuticals (Pty) Ltd
- Christien Gordon – Croda SA (Pty) Ltd
- Ewarda Swart – Indigo Brands (Pty) Ltd
- Heidi De Oliveira – Amka Products (Pty) Ltd
- Holly-Anne Britow – Environ Skin Care (Pty) Ltd
- Hussein Kalla – Amka Products (Pty) Ltd
- John Knowlton – Cosmetic Solutions cc
- Karen Slater - Johnson & Johnson (Pty) Ltd
- Karusla Naidoo - GlaxoSmithKline (Pty) Ltd
- Keshnee Dhanraj – Johnson & Johnson (Pty) Ltd
- Khanyi Phakathi – L'Oreal South Africa (Pty) Ltd
- Martin Mason – Revlon South Africa (Pty) Ltd
- Nhlanhla Tshabalala - Proctor and Gamble South African Trading (Pty) Ltd
- Nilgun Dayioglugil – Avon Justine (Pty) Ltd
- Njabulo Mthethwa – Beiersdorf Consumer Products (Pty) Ltd
- Percy Sibanda – L'Oreal South Africa (Pty) Ltd
- Pokazi Tetyana – Avon Justin (Pty) Ltd
- Robyn Brown – Botanichem CC
- Rozanne Long – Tiger Consumer Brands (Pty) Ltd
- Sikelelwa Gogo – Colgate Palmolive (Pty) Ltd
- Tallia Ficalbi-Hobbs – New Clicks South Africa (Pty) Ltd
- Wayne van Wyk – Vantage Speciality Chemicals (Pty) Ltd
- Zama Duma – Unilever South Africa (Pty) Ltd



CTFA MEMBERSHIP

The Cosmetic, Toiletry & Fragrance Association of South Africa (CTFA) was formed in 1994 to allow representation of the cosmetics industry by a collective, focused body. The Association represents and promotes the interests of its' member companies, is an authoritative voice for the South African industry and actively articulates industry viewpoints to government departments.

Since inception, the purpose of the CTFA has been to guide Members on the South African Regulatory Codes of Practice and Standards and to ensure that the cosmetic and personal care industry flourishes. The CTFA works with the industry sector, the South African Bureau of Standards, Department of Health, Department of Trade and Industry, Department of Environmental Affairs and international accredited bodies to ensure alignment for a responsible industry in South Africa.

The CTFA advocates international harmonisation and recognition and has since 2000, been a member of Cosmetics Europe and the Personal Care Association, based in Brussels. Ensuring that South Africa is kept updated on cosmetics information worldwide.

Membership is open to any company distributing or manufacturing cosmetics. Companies associated with the cosmetics industry, but not directly involved in distribution or manufacture such as packaging and raw material suppliers, may become associate members. Retailers are also part of the CTFA membership.

Why is Membership Important?

The personal care business sector is innovative, vibrant and competitive coupled with a rapidly moving regulatory environment. It is, therefore, essential that manufacturers, brand owners, retailers and raw material suppliers are kept abreast of the latest changes and developments. Importantly, Members are extended the opportunity to be part of the decision-making process that shapes regulations and representations that are made from time to time on behalf of the industry.

Benefits to gain from your CTFA Membership:

- The CTFA monitors international regulatory developments and keeps Members updated on the Regulatory Control of cosmetics.
- The CTFA provides technical expertise and advice on ingredients, labelling, packaging and product claims.
- The CTFA provides the means for dissemination of information on standards set up by working groups/ committees. These working groups/ committees consist of cosmetic industry experts and representatives from the South African Bureau of Standards (SABS).
- The CTFA liaises with The Department of Health (DoH) and The National Regulator for Compulsory Specifications (NRCS) on product and packaging regulations.
- The CTFA liaises with the Department of Environmental Affairs (DEA) on Bioprospecting, chemical management, waste management amongst other industry and national initiatives on behalf of members.
- The CTFA liaises with the Department of Trade and Industry (DTI) and The Cosmetic Export Council of South Africa (CECOSA), to assist members with regulatory compliance in relation to exports, imports and expansion into international markets.
- The CTFA liaises with the South African Revenue Services and Customs and Excise on Ad Valorem Excise Duty.
- The CTFA liaises with and is part of the Board of the Advertising Standards Authority of South Africa to ensure the preservation of self-regulation in the advertising space.
- The CTFA maintains relationships with and makes representations to the appropriate South African and relevant international governments, legislative or other regulatory bodies, Chambers of Commerce or Trade Associations with regard to matters affecting the interests of the industry.
- The CTFA is a member of Cosmetics Europe, the Personal Care Association and has representation on the ISO Cosmetic Committees.
- The CTFA assists exporters with the issuing of Certificates of Free Sale.
- The CTFA assists SMEs with compliance.
- The CTFA extends invitations to Members for workshops, information sessions, breakfasts, lectures or talks.
- As part of the CTFA membership, there is access to various SABS Standards at no additional cost.

Categories of Membership:

Full Members

This category includes; Brand owners, Distributors, Importers and Exporters of finished goods.

Manufacturing Members

This category includes; Manufactures and Contract Manufactures of toiletry cosmetic products.

Associate Members

This category includes; Suppliers of ingredients, raw materials, packaging etc., not involved in production, sales and marketing.

It also includes companies, associations, Academic Institutions affiliated to the cosmetic industry who do not produce or distribute cosmetic products.

Retail Members

This category includes; Retail outlets with their own private label brands and resellers of finished products.

Knowledge is Power – Make appropriate use of your CTFA Membership to take your business to the next level.

Your CTFA Membership can be seen, not only as a valuable asset to your company but also as:

- An "insurance policy"
- A confidential base to sound out regulatory issues
- A source providing advance warning of legislative regulatory change to keep you compliant and ahead of competitors
- A base providing individual technical advice and guidance
- Our experienced technical staff are ready to provide confidential advice on regulatory issues relating to ingredients and packaging claims
- Our team is available to meet with Members or potential Members on a one-to-one basis to engage with your concerns
- Our technical team has a process to review and report on artwork
- The industry voice, presenting the industry as reputable and responsible and dealing with issues in a brand-neutral manner
- A provider of documentation in the form of a Certificate of Free Sale that assists Members with export consignments
- An opportunity to participate on Working Groups/Committees who develop standards, in conjunction with South African Bureau of Standards, Department of Health and International norms.
- An industry representative, negotiating with government departments; South African Revenue Services, Treasury, The Department of Trade and Industry, the Department of Health, National Regulator for Compulsory Specifications, Department of Labour and Department of Environmental Affairs assisting with industry requirements.
- An opportunity to be part of the decision-making process that shapes the regulation principals and representations that are made from time to time on behalf of the cosmetic industry

How do I become a Member?

Simply contact us and we will set up a free consultation at our offices, so that we can understand your particular business and product range/ranges. Should there be a perceived benefit for both parties, we would then encourage you to become a Member and assist you to comply with all Regulations.

Enquiries to:
Email – info@ctfa.co.za
Website – www.ctfa.co.za



TEAM CTFA

AT YOUR SERVICE

The service that CTFA provides to its members includes information sharing, regulatory advice, government stakeholder engagement, export and import legislative advice and assisting in overall industry compliance. The CTFA has a dedicated, professional and motivated team that is always ready to be of service to each and every member.

Elmarie Groeneveld
Accountant

Dershana Valla
Regulatory Affairs Manager

Cindy Potgieter
Reception & Admin Support



Omphile Lehau
Membership & Development Officer

Adelia Pimentel
Executive Director

Judy Nobin
Technical Manager

LOOK GOOD FEEL BETTER

The Look Good Feel Better (LGFB) programme was started in the USA in 1989 and promoted in 26 countries, including South Africa. The programme was introduced to South Africa in 2004 by the Cosmetic Toiletry and Fragrance Association (CTFA) and is now a recognised support programme offering workshops to patients in public and private hospitals in cities across South Africa.

The two hour skincare and make-up workshop, which is offered to groups of patients, is specifically designed to assist both women and men in active cancer treatment to address the appearance related side effects of their treatment. This helps them to regain the self-confidence they need to face the world and fight the disease.

2017 proved to be a busy, successful and most rewarding year, a total number of 3 584 patients participated in 340 LGFB workshops. Since the inception of LGFB nearly 40 000 patients have been assisted during a record number of 3 549 workshops.

Look Good Feel Better cannot exist without a network of phenomenal, dedicated volunteers across South Africa. We owe immense gratitude to our 275 volunteers for their support and dedication. Volunteers need to attend a certain number of workshops per year to qualify for the Recognition Breakfasts in each region - our way of honouring and thanking them. In 2017 these functions were generously sponsored by wonderful venues, i.e. the Saxon Hotel in Johannesburg, the Embassy in Cape Town, Castello Del Monte in Pretoria, 59@ Plenty in Bloemfontein and the Garden Court Umhlanga in Durban.

It is an absolute privilege to thank our volunteers during these Recognition Breakfasts for their love, energy and time they invest in touching other peoples' lives during a very difficult time. Their commitment in carrying heavy bags to the venue, setting up, and the continuous selfless giving of themselves month after month, is commendable.

The LGFB Golf Days held in Johannesburg and Zimbali were once again resounding successes and have become a highlight in the golfers' calendar. This year the Zimbali Golf Day was organised by Head Office. It attracted 104 golfers and R89 000 was raised. A total of 150 golfers played in the Johannesburg Golf Day at Randpark, raising R185 000.

A big thank you goes to Avon Justine who graciously chose LGFB as one of their beneficiaries for the very successful Avon Justine iThemba Walkathon, where 30 000 walkers participated. Avon have pledged R17 000 from this event.

LGFB is incredibly indebted to the volunteers and our generous sponsors. Without these two pillars, the programme cannot exist.

Our Current Founder Members are:

- Coty & Beauty
- Indigo Brands
- Environ
- Amway
- Avon Justine
- Clarins
- Colgate/Palmolive
- Esteé Lauder
- L'Oreal
- Revlon



Christie Fraser
Programme Director

GET INVOLVED

If you would like to receive information about becoming a Look Good Feel Better corporate donor or product donor, participating in a cause-marketing partnership, or donating as an individual or other organization

CONTACT US AT
christie@lgfb.co.za .

look good
feel better

Our active members are: Johnson & Johnson, Evolabs, Prestige Cosmetics, Black Like Me, Twincare, Sh'zen, African Extracts, Modern Hair & Beauty, NCP Alcohols and Wesson Therapeutics.

Our associate Members are: Sorbet Experience and Vitaderm. Isabella Garcia is a Platinum member.

During 2017, financial sponsorships were received from AVI, Nedbank, Avon Justine, The Stretch Foundation, Clicks and NCP Alcohols and Estee Lauder. A special mention also goes to CDP Gifts, RAM, CABS Car Hire, Netcad, Gary Rom Hairdressing, Tsogo Sun and Frika for their continued support.

Without products the workshops cannot happen, but we generously received products from Environ, Avon Justine, Revlon, Estee Lauder, Isabella Garcia, L' Oreal, Johnson & Johnson, Evolabs, Clarins, Prestige Cosmetics and Annique. These companies donated 21 228 core products to be used during the workshops as tools to address appearance related side effects.

The Look Good Feel Better Programme is in demand and we currently have a waiting list of six hospitals who would like to host workshops. We can only consider these venues once we have secured sufficient products.

A participant at one of our workshops had the following to say:
"Please convey my heart-felt thanks to all members of the team who were instrumental in inviting and hosting my daughter, Naadira, at yesterday's program. Her diagnosis and subsequent treatment has taken a toll on an otherwise bubbly, extroverted young lady. It was therefore gratifying to see her genuine pleasure during the session."
- Zaks Kikia-Khan - Rainbow Oncology 2018

Look Good Feel Better is the social arm of the Cosmetic Toiletry Fragrance Association of South Africa and thus the charity arm of the cosmetic Industry.

A sincere call to all CTFA Members to support this worthy cause.



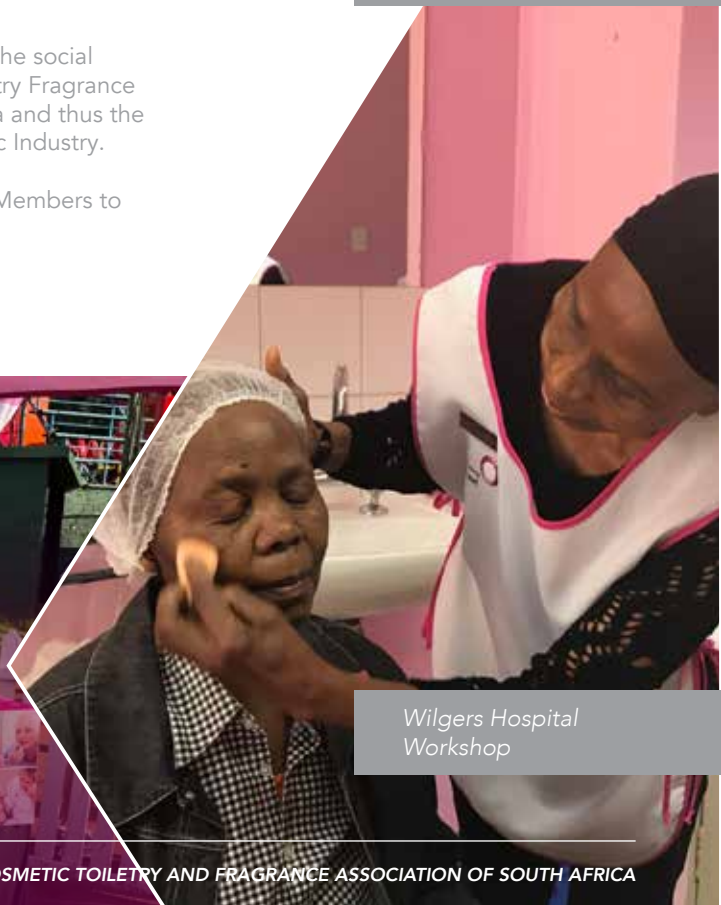
Donald Gordon Workshop 2018

Help us to create more MOMENTS...



Avon Justine Walkathon

Life is not measured by the number of breaths we take, but by the number of moments that take our breath away.



Wilgers Hospital Workshop

FINANCIALS

COSMETIC TOILETRY AND FRAGRANCE ASSOCIATION OF SOUTH AFRICA

Annual Financial Statements for the year ended 31 December 2017 | Voluntary association not for gain

watermans

GENERAL INFORMATION

Country of Incorporation and Domicile	South Africa
Nature of Business and Principal Activities	The Cosmetic Toiletry & Fragrance Association of South Africa (CTFA) represents and promotes the interest of its member companies. It is an authoritative voice for the industry in South Africa and actively articulates industry viewpoints to goverment departments. It continues to lead the industry forward with regard to setting regulations and standards, and encourages responsible advertising.
Registered Office	Top Floor, 14 Eglin Road, Sunninghill, Sandton, 2191.
Business Address	Baobab Business Park, 86 John Voster Avenue, Randpark Ridge, 2156.
Postal address	P.O. Box 721, Randpark Ridge, 2156.
Level of Assurance	The annual financial statements have been audited in compliance with the applicable requirements of the company's Memorandum of Incorporation.
Bankers	First National Bank Limited.
Auditors	Watermans Registered Auditors Chartered Accountants (S.A.) Registered Auditors
Preparer	The annual financial statements were independently compiled by: B.C. Graham C.A. (S.A.)
Issued	28 February 2018.

INDEX

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

General Information 02
Independent Auditor's Report 04
Executive Council's Responsibilities and Approval 06
Executive Council's Report 07
Statement of Financial Position 08
Statement of Comprehensive Income 09
Statement of Changes in Equity 10
Statement of Cash Flows 11
Accounting Policies 12
Notes to the Financial Statements 13

INDEPENDENT AUDITORS' REPORT

TO THE EXECUTIVE COUNCILS OF COSMETIC TOILETRY AND FRAGRANCE ASSOCIATION OF SOUTH AFRICA

Opinion

We have audited the financial statements of Cosmetic Toiletry and Fragrance Association of South Africa set out on pages 7 to 21, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, the statement of changes in equity and the 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 the association as at 31 December 2017, 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 association 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

Without qualifying our opinion we draw attention to the fact that suplementary information set out on pages 19 to 20 does not form part of the financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Responsibilities of the Executive Council for the Financial Statements

The executive council is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the executive council determines 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 executive council is responsible for assessing the association'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 executive council either intends to liquidate the association or to cease operations, or has 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.

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 association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive council.
- Conclude on the appropriateness of the executive council's 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 association'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 association 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 executive council 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.

Watermans

Watermans
Per: T. Aarons CA (SA)
Partner
Registered Auditors

Suite 702, Top Floor, 1410 Eglin,
14 Eglin Road, Sunninghill, Sandton, 2191

EXECUTIVE COUNCIL'S RESPONSIBILITIES AND APPROVAL

The executive council is required by the Companies Act of South Africa to maintain adequate accounting records and is 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 satisfy the financial reporting standards as to form and content and present fairly the statement of financial position, results of operations and business of the association, and explain the transactions and financial position of the business of the association at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the association and supported by reasonable and prudent judgements and estimates.

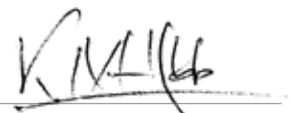
The executive council acknowledges that they are ultimately responsible for the system of internal financial control established by the association and place considerable importance on maintaining a strong control environment. To enable the executive council to meet these responsibilities, the executive council 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 association and all employees are required to maintain the highest ethical standards in ensuring the association's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the association is on identifying, assessing, managing and monitoring all known forms of risk across the association. While operating risk cannot be fully eliminated, the association endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The executive council is of the opinion, based on the information and explanations given by management and the external auditors, 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 going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the executive council has no reason to believe that the association will not be a going concern in the foreseeable future. The financial statements support the viability of the association.

The annual financial statements have been audited by the independent auditing firm, Watermans Registered Auditors, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of executive councils, the executive council and committees of the executive council. The executive council believes that all representations made to the independent auditor during the audit were valid and appropriate. The external auditors' unqualified audit report is presented on pages 3 to 4.

The annual financial statements as set out on pages 7 to 21 were approved by the executive council on 28 February 2018 and were signed by them.



M. Hobbs (Chairperson)



M.A.L. Pimentel (Executive)

EXECUTIVE COUNCIL'S REPORT

The executive council presents this report for the year ended 31 December 2017.

1. Review of activities

Main business and operations

Cosmetic Toiletry & Fragrance Association of South Africa represents and promotes the interest of its member companies. It is an authoritative voice for the industry in South Africa and actively articulates industry viewpoints to goverment departments and there were no major changes herein during the year.

The operating results and statement of financial position of the association are fully set out in the attached financial statements and do not in my opinion require any further comment.

2. Going concern

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

3. Events after reporting date

The executive council is not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the association.

4. Executive Council

The members of the association during the year and to the date of this report are as follows:

M. Hobbs (Chairperson)

M.A.L. Pimentel (Executive)

E. Baldassarri

I. Du Toit

N. Kalla

J. Knowlton

P. Pillay

S. Rai

W. van Wyk

There has been no changes to the exclusive council of the company for the year under review.

5. Independent Auditors

Watermans Registered Auditors were the independent auditors for the year under review.

STATEMENT OF FINANCIAL POSITION

FIGURES IN R	NOTES	2017	2016
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	77,590	67,473
Other financial assets	4	4,673,229	4,414,411
		4,750,819	**4,481,884**
Current Assets			
Trade and other receivables	5	42,555	30,759
Cash and cash equivalents	7	2,629,803	1,731,140
		2,672,358	**1,761,899**
Total Assets		**7,423,177**	**6,243,783**
EQUITY AND LIABILITIES			
Equity			
Accumulated		7,123,841	5,933,681
LIABILITIES			
Current Liabilities			
Provisions	8	47,292	33,098
Trade and other payables	9	85,246	80,363
Deferred income	11	164,625	184,256
Bank overdraft	7	2,173	12,385
		299,336	**310,102**
Total Equity and Liabilities		**7,423,177**	**6,243,783**

STATEMENT OF COMPREHENSIVE INCOME

FIGURES IN R	NOTES	2017	2016
Revenue	12	**5,082,242**	**4,835,814**
Cost of sales		(17,110)	(25,379)
Gross surplus		5,065,132	4,810,435
Other income	13	51,641	41,820
Other expenses		(4,353,390)	(4,166,473)
Other gains / (losses)	16	107,863	(1,734)
Surplus from operating activities		**871,246**	**684,047**
Interest received	17	318,914	337,174
Surplus for the year		**1,190,160**	**1,021,221**

STATEMENT OF CHANGES IN EQUITY

FIGURES IN R	Accumulated surplus	Total
Balance at 1 January 2016	4,912,460	4,912,460
Surplus for the period	1,021,221	1,021,221
Balance at 31 December 2016	**5,933,681**	**5,933,681**
Balance at 1 January 2017	5,933,681	5,933,681
Surplus for the period	1,190,160	1,190,160
Balance at 31 December 2017	**7,123,841**	**7,123,841**

STATEMENT OF CASH FLOWS

FIGURES IN R	NOTES	2017	2016
Cash flows from operating activities			
Surplus for the year		1,190,160	1,021,221
Adjustments to reconcile surplus			
Interest received		(318,914)	(337,174)
(Increase) / decrease in other operating receivables		(11,796)	7,341
Increase / (decrease) in other operating payables		4,883	(354,797)
(Decrease) / increase in deferred income		(19,631)	39,966
Depreciation and amortisation expense		26,521	26,311
Provisions		14,194	(46,743)
Fair value gains and losses		(107,863)	-
Gains and losses on disposal of non-current assets		-	1,734
Total adjustments to reconcile surplus		**(412,606)**	**(663,362)**
Net cash flows from operations		**777,554**	**357,859**
Interest received		318,914	337,174
Net cash flows from operating activities		**1,096,468**	**695,033**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(36,638)	(27,890)
Movement in other financial assets		(150,955)	(215,727)
Cash flows used in investing activities		**(187,593)**	**(243,617)**
Net increase in cash and cash equivalents		**908,875**	**451,416**
Cash and cash equivalents at beginning of period		1,718,755	1,267,339
Cash and cash equivalents at end of period		**2,627,630**	**1,718,755**

ACCOUNTING POLICIES

1. General information

Cosmetic Toiletry and Fragrance Association of South Africa is a non-profit organisation incorporated in South Africa.

2. Basis of preparation

The financial statements of Cosmetic Toiletry and Fragrance Association of South Africa have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the Companies Act of South Africa. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, certain property, plant and equipment, biological assets and derivative financial instruments at fair value.

The preparation of financial statements in conformity with the International Financial Reporting Standard for Small and Mediumsized Entities requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the association's accounting policies.

3. Property, plant and equipment

3.1 Accounting policies

Property plant and equipment at cost

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The association adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the association. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to surplus or deficit during the period in which they are incurred.

Depreciation on assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Asset class	Useful life / depreciation rate
Fixtures and fittings	16.67%
Office equipment	16.67%
Computer equipment	33.33%

3.2 Balances at year end and movements for the year

	Fixtures and fittings	Office equipment	Computer equipment	Total
Reconciliation for the year ended 31 December 2017				
Balance at 1 January 2017				
At cost	53,010	21,836	72,258	147,104
Accumulated depreciation	(23,085)	(8,132)	(48,414)	(79,631)
Net book value	**29,925**	**13,704**	**23,844**	**67,473**
Movements for the year ended 31 December 2017				
Additions	-	-	36,638	36,638
Depreciation	(8,149)	(1,668)	(16,704)	(26,521)
Property, plant and equipment at end of period	**21,776**	**12,036**	**43,778**	**77,590**
Closing balance at 31 December 2017				
At cost	53,010	21,836	108,895	183,741
Accumulated depreciation	(31,234)	(9,800)	(65,117)	(106,151)
Net book value	**21,776**	**12,036**	**43,778**	**77,590**

Reconciliation for the year ended 31 December 2016				
Balance at 1 January 2016				
At cost	53,010	10,592	66,611	130,213
Accumulated depreciation	(14,249)	(10,377)	(37,959)	(62,585)
Net book value	**38,761**	**215**	**28,652**	**67,628**
Movements for the year ended 31 December 2016				
Additions	-	14,444	13,446	27,890
Depreciation	(8,836)	(955)	(16,520)	(26,311)
Disposals	-	-	(1,734)	(1,734)
Property, plant and equipment at end of period	**29,925**	**13,704**	**23,844**	**67,473**
Closing balance at 31 December 2016				
At cost	53,010	21,836	72,258	147,104
Accumulated depreciation	(23,085)	(8,132)	(48,414)	(79,631)
Net book value	**29,925**	**13,704**	**23,844**	**67,473**

4. Other financial assets

4.1 Accounting Policies

Trade and other receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Trade and other receivables are classified as debt instruments and loan commitments at amortised cost.

Other financial assets

Other financial assets are recognised initially at the transaction price, including transaction costs except where the asset will subsequently be measured at fair value.

Where other financial assets relate to shares that are publically traded, or where fair values can be measured reliably without undue cost or effort, these assets are subsequently measured at fair value with the changes in fair value being recognised in profit or loss. Other investments are subsequently measured at cost less impairment.

Debt instruments are subsequently stated at amortised cost. Interest income is recognised on the basis of the effective interest method and is included in finance income.

Commitments to receive a loan that meet the conditions in paragraph 11.8(c) are be measured at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

4.2 Carrying Amount of Financial Assets by Category

	At fair value through surplus and deficit	Debt instruments at amortised cost	Total
Year ended 31 December 2017			
Investments (Note 6)	4,673,229	-	4,673,229
Components listed under other financial assets on the statement of financial position	**4,673,229**	**-**	**4,673,229**
Trade and other receivables excluding non-financial assets (Note 5)	-	11,275	11,275
Cash and cash equivalents (Note 7)	-	2,629,803	2,629,803
Components listed separately on the statement of financial position	**-**	**2,641,078**	**2,641,078**
	4,673,229	**2,641,078**	**7,314,307**

FIGURES IN R		2017	2016
Year ended 31 December 2016			
Investments (Note 6)	4,414,411	-	4,414,411
Components listed under other financial assets on the statement of financial position	**4,414,411**	**-**	**4,414,411**
Trade and other receivables excluding non-financial assets (Note 5)	-	11,275	11,275
Cash and cash equivalents (Note 7)	-	1,731,140	1,731,140
Components listed separately on the statement of financial position	**-**	**1,742,415**	**1,742,415**
	4,414,411	**1,742,415**	**6,156,826**

5. Trade and other receivables

5.1 Trade and other receivables comprise

Deposits	11,275	11,275
Value Added Tax	31,280	19,484
Total current receivables	**42,555**	**30,759**

5.2 Items included in trade and other receivables not classified as financial instruments

Value added tax	31,280	19,484
Total non-financial instruments included in trade and other receivables	31,280	19,484
Total trade and other receivables excluding non-financial liabilities included in trade and other payables	11,275	11,275
Total trade and other receivables	42,555	30,759

6. Investments

6.1 Investments comprise the following balances

Stanlib Cautious Fund Investments	4,653,972	4,395,154
Liberty Collective Investments	19,257	19,257
	4,673,229	4,414,411

The fair value of the investment is based on the quoted market price at reporting date.

FIGURES IN R	2017	2016
7. Cash and cash equivalents		
7.1 Cash and cash equivalents comprise		
Cash		
Cash on hand	2,500	2,500
Balances with banks	2,627,303	1,728,640
Total cash	**2,629,803**	**1,731,140**
Total cash and cash equivalents included in current assets	**2,629,803**	**1,731,140**
Bank overdrafts	(2,173)	(12,385)
Net cash and cash equivalents	**2,627,630**	**1,718,755**
7.2 Detail of cash and cash equivalent balances		
Bank balances		
FNB - current account	106,812	146,713
FNB - salaries account	11,430	30,397
FNB - money market account	2,509,061	1,551,530
Total	**2,627,303**	**1,728,640**
8. Provisions		
8.1 Provisions are made up as follows		
Leave pay provision	47,292	33,098

8.2 Leave pay provision

	Leave pay provision	Total
Balance at 1 January 2017	**33,098**	**33,098**
Additions	79,841	79,841
Utilised during the year	(65,647)	(65,647)
Balance at 31 December 2017	**47,292**	**47,292**

	Leave pay provision	Total
Balance at 1 January 2016	**79,841**	**79,841**
Additions	141,850	141,850
Utilised during the year	(188,593)	(188,593)
Balance at 31 December 2016	**33,098**	**33,098**

FIGURES IN R	2017	2016
9. Trade and other payables		
9.1 Trade and other payables are made up as follows		
COIDA accrual	31,575	68,660
Other accruals	53,671	11,703
Total trade and other payables	**85,246**	**80,363**
9.2 Items included in trade and other payables not classified as financial liabilities		
Total trade and other payables excluding non-financial liabilities included in trade and other payables	85,246	80,363

10. Other financial liabilities by category

10.1 Accounting policies

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Trade and other payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Other financial liabilities are recognised initially at the transaction price, including transaction costs except where the liability will subsequently be measured at fair value.

Where the fair value of other financial liabilities can be measured reliably without undue cost or effort, these liabilities are subsequently measured at fair value with the changes in fair value being recognised in profit or loss.

Debt instruments are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Other financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

10.2 Carrying amount of other financial liabilities by category

	Debt instruments at amortised cost	Total
Year ended 31 December 2017		
Trade and other payables excluding non-financial liabilities (Note 9)	85,246	85,246
Bank overdraft (Note 7)	2,173	2,173
Components listed separately on the statement of financial position	**87,419**	**87,419**
	87,419	87,419
Year ended 31 December 2016		
Trade and other payables excluding non-financial liabilities (Note 9)	80,363	80,363
Bank overdraft (Note 7)	12,385	12,385
Components listed separately on the statement of financial position	**92,748**	**92,748**
	92,748	92,748

FIGURES IN R	2017	2016

11. Deferred income

Accounting policies

Deferred income are recognised at their fair value in profit or loss where there is a reasonable assurance that the deferred income will be received and the association has complied with all attached conditions. Deferred incomes received where the association has yet to comply with all attached conditions are recognised as a liability (and included in deferred income within trade and other payables) and released to income when all attached conditions have been complied with. Deferred incomes received are included in income' in profit or loss.

11.1 Deferred income are analysed as follows

Annual membership fees received in advance	164,625	184,256

12. Revenue

12.1 Accounting policies

Revenue is measured at the fair value of the consideration received or receivable. Revenue is shown net of value-added tax, returns, rebates and discounts.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

a) the amount of revenue can be measured reliably;
b) it is probable that the economic benefits associated with the transaction will flow to the entity; and
c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of transactions involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

The stage of completion of a transaction may be determined by a variety of methods, depending on the nature of the transaction:

a) surveys of work performed;
b) services performed to date as a percentage of total services to be performed;
c) the proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

Interest income is recognised using the effective interest method.

12.2 Revenue comprises

Income - Compendium	18,000	70,502
Fees received	5,064,242	4,765,312
Total revenue	**5,082,242**	**4,835,814**

FIGURES IN R	2017	2016
13. Other income		
13.1 Other income is analysed as follows		
Artwork income	51,641	34,250
Insurance refund	-	7,570
Total other income	**51,641**	**41,820**

14. Employee benefits

14.1 Accounting policies

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

Short-term employee benefits

Compensation paid to employees for the rendering of services are recognised at the undiscounted amount paid or expected to be paid in the accounting period in which the services were rendered.

Where employees accumulate entitlement for paid absences, an expense is recognised as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. In the case of non-accumulating paid absences, the expense is recognised only when the absences occur.

14.2 Employee benefits is analysed as follows		
Salaries	2,596,686	2,632,142
Wages	402,031	227,570
Total employee benefits	**2,998,717**	**2,859,712**
15. Depreciation and amortisation		
15.1 Depreciation and amortisation is analysed as follows		
Furniture and fittings	8,149	8,836
Office equipment	1,668	955
Computer equipment	16,704	16,520
Total depreciation and amortisation	**26,521**	**26,311**

FIGURES IN R	2017	2016
16. Other gains and losses		
16.1 Other gains and losses consist of:		
Gain or loss on disposal of assets	-	(1,734)
Fair value gains and losses on assets	107,863	-
Total other gains and losses	**107,863**	**(1,734)**
17. Finance income		
17.1 Finance income comprises		
Investment income	150,955	215,728
Interest received - Bank	167,959	121,446
Total finance income	**318,914**	**337,174**

18. Income taxation expense

No provision has been made for the 2017 year. The association is exempt from tax on the types of income generated during the year due to its status as a Voluntary Association incorporated under Common Law and its tax exemption in terms of section 30 of the Income Tax Act.

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