



ctfa

COSMETIC TOILETRY & FRAGRANCE
ASSOCIATION OF SOUTH AFRICA

ANNUAL REPORT 2018

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 assisting in the development of the Codes of Practice and Standards. Through these tools, we are a committed industry bound by ethics and consumer safety, 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.



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CHAIRPERSON'S REPORT

Over 50 million people in South Africa use cosmetic products. Cosmetics help people feel more confident in their appearance, enhance their feeling of well-being and contribute to positive self-esteem. So, although our industry has not been spared from the extremely challenging economic conditions that this country is currently experiencing, we continue to play an increasingly important role in the welfare of the nation.

In this environment the CTFA has become an even stronger champion of our industry and I am extremely pleased in the development of the team and the increased support given to members of the Association. The CTFA has been ever present throughout 2018 supporting the industry in removing as many barriers to growth as possible. Not only has there still been the potential for the introduction of new cosmetics legislation, but also legislation on waste management and outcomes relating to Biodiversity and the Bioprospecting Act.

2018 has been notable for a lack of progress on impending legislation. It is now over 2 years (19th August 2016) since the publication 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 and it remains unclear how and when it may be promulgated.

The CTFA team continues to play a pivotal role in coordinating and consolidating member comments and concerns whilst working tirelessly with DoH to bring effective legislation to this country. I believe this close relationship will enable our members to have

visibility of proceedings as they happen.

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. With the uncertainty of promulgation, I would offer the certainty that the CTFA Bridging-the-Gap Compendium continues to provide the guidelines for the South African Cosmetics industry. Having focused 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.

Our industry has a strong combination of multi-national players, established local players and small start-up companies all looking for support from CTFA, each with very different needs. As a member company I have seen a significant increase in regulatory communication, legislation updates and training events which all enable a much greater understanding of our industry and its developments.

Whilst the potential legislation developments 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 artwork and certificates for exporting.

In contrast to the stalemate within Government departments the CTFA has pressed forward in developing an association capable of fulfilling our member's needs into 2020. This year we said farewell to Technical Manager Judy Nobin, we thank her for all her contributions and welcomed Anina van der Walt, our new Head: Regulatory Affairs & Policy Analysis. Her portfolio includes the review of national and international policies which will directly or indirectly relate to the CTFA member base and the cosmetic industry in South Africa. She is responsible for evaluating, training and assisting in the implementation of applicable cosmetic industry guidelines and standards. Anina van der Walt, a registered pharmacist since 2001 moved her focus from Pharma to the cosmetic industry with cosmetic product research in 2013 and now enhances the CTFA technical support structure. Adelia Pimentel, our Executive Director, has now built a strong team able to provide the range of services required by all the

different businesses within the industry value chain including multinational corporations, raw material suppliers, manufacturers, brand owners, importers, exporters and retailers.

2018 was also a momentous year as CTFA moved house to the Hurlingham Office Park to an office suite that offers improved facilities. Not only is the location more central, the facility provides a large conference room to enable training sessions and separate meeting rooms for our technical committees to work effectively.

Over the last 3 years I have seen the CTFA become increasingly recognised by government departments as the credible authority and voice of the South Africa cosmetics industry. The importance of that voice cannot be underestimated. In 2019 we will continue the vital role in promoting and leading the industry position. The need to build even stronger relationships and improve engagement with all governmental bodies is critical to the growth of our industry.

The CTFA continues to develop a comprehensive range of services for

an increasing membership base, yet again an increase of over 5% in member numbers was achieved in 2018, building to a total number of 155 members at the time of writing.

Importantly for growth we need to look to new markets, we can enable the search by pushing hard for regulatory harmonisation in Africa and maybe one day globally. Currently there are significant barriers to trade across the continent with little, if any, standardisation. The CTFA has been working for the last year with Cosmetics Europe and Personal Care Products Association of America to start to enable the introduction of legislation across Africa. I am pleased to announce that the CTFA will be hosting a Regulatory Summit on the regulatory challenges in Africa this 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; 3 309 in 2018 and an incredible 42511 since 2005. I would like to express my gratitude to all

of the almost 300 volunteers who give up their time for those less fortunate on a regular basis for no monetary reward, and to Christie Fraser, our Programme Director and Glenda Hutchins in the Johannesburg office who have both worked tirelessly through this last year to keep LGFB operating effectively.

CTFA continues to offer even greater benefits to our member companies with improved communication of information, knowledge sharing and connectivity to government organisations. I believe with the enhanced team and new offices we are well placed to meet the demands of the forthcoming year.

Finally, I would like to thank the CTFA team, led by Adelia Pimentel, and my fellow board members for their support over the past year and I extend special thanks to all members who have been so committed and active in support of the Association's work.

Mark Hobbs
Chairperson



EXECUTIVE COUNCIL

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

Mark Hobbs - Chairperson | Indigo Brands (Pty) Ltd

Gilles Antoine

L'Oreal South Africa (Pty) Ltd

Hesham Motan

Revlon South Africa (Pty) Ltd

Ilse du Toit

Avon Justine (Pty) Ltd

John Knowlton

Cosmetic Solutions

Nizam Kalla

Amka Products (Pty) Ltd

Priyan Pillay

Colgate-Palmolive (Pty) Ltd

Warren van Niekerk

Beiersdorf Consumer Products (Pty) Ltd

Wayne van Wyk

Vantage Specialty Chemicals (Pty) Ltd

Adelia Pimentel

Executive Director, CTFA

Resignations from the executive council during 2018:

Sandeep Rai - L'Oreal South Africa (Pty) Ltd

Enrico Baldassarri - Revlon South Africa (Pty) Ltd

EXECUTIVE DIRECTOR'S REPORT

Notwithstanding that 2018 has been a year of regulatory uncertainty for the cosmetic industry, the CTFA's longstanding international and national network established during the last 24 years has enabled the Association to provide guidance to member companies and ensure the industry continues, to have a strong voice over issues that hinder growth and innovation.



In 2018, Waste Management, the threat of advertising no longer being self-regulated together with the ever-present pending promulgation of the Department of Health regulations were focal issues.

The Department of Environmental Affairs (DEA) held various forums on waste management during the course of 2018, and a call for Industry Waste Management Plans for the Paper and Packaging sector in South Africa was made. Although there was an overall lack of clarity for industry in many areas, some cosmetic companies registered with DEA in February 2018 and a "Federation of Plans" was submitted in September 2018. Much more debate needs to be held before the required details and a way forward for industry that is beneficial to both the environment and feasible for industry is yet to be agreed upon.

CTFA was part of the Interim Board at the Advertising Standards Authority of South Africa (ASASA) during 2018. This was while the organisation was going through business rescue, and enabled the CTFA to keep a close eye on developments in the self-regulated advertising space and have input into the future of this industry. In October 2018, after two years of a turnaround strategy the decision was taken to liquidate the ASASA. A new entity called Advertising Regulatory Board (ARB) was registered in November 2018 with the same mandate as the ASASA. We will keep a close watch on this new entity who is mandated to self-regulate the advertising industry and also co-house the cosmetic code that the CTFA updates annually.

The lack lustre performance of the Department of Health (DoH) during 2018, post the industry collated commentary

that was submitted in March 2018, did not take away from the CTFA's continuous lobbying and networking with the department to ensure that the cosmetic regulations are housed accordingly. Late in 2018 the CTFA addressed a letter to the Deputy Director General of the Department of Health and the Minister of Health proposing a workable structure for a Cosmetics Directorate responsible for cosmetic regulations within the DoH. We await their response.

Creating awareness of the pending regulations is paramount to a smooth transition. Over and above roadshows in Johannesburg, Durban and Cape Town, CTFA participated in the Africa Home & Personal Care conference held in November 2018 and in the Suncare seminar hosted by Coschem all with the aim to heighten the awareness of future regulations. In 2018 CTFA also introduced Regulatory Alerts as a means of keeping members updated on upcoming changes in local and international regulations.

The MINAMATA Convention on Mercury aims to reduce mercury anthropogenic emissions and releases. South Africa is currently rated as the 6th largest emitter of mercury in the world and signed the Convention in October 2013. The Minamata Convention Initial Assessment (MIA) report was initiated in 2018 and CTFA was part of this very important forum to ensure that the facts surrounding mercury levels are objectively shown. The various interactions paid off as the report is explicit in showcasing the regulations banning the use of mercury in cosmetics -R1227 and mentioning the proliferation of illicit products in the market.

CTFA also interacted with the media on various topics; including hair relaxers and the use of certain ingredients in

suncare products. Various position statements were put together to ensure that the industry mandated position was made visible to both media and the consumer base.

Internally 2018 was also a year of change, we said goodbye to Technical Manager, Judy Nobin and welcomed Anina van der Walt, the new Head: Regulatory Affairs & Policy Analysis. Anina, a registered pharmacist, brings a skills set to the CTFA that complements the current skills and enhances the CTFA technical support structure to the various members.

Further welcome change occurred with CTFA moving premises to Hurlingham Office Park. This has allowed the CTFA to implement training sessions and other interventions that will assist members, it also helps that the premises are more centrally located. Developing a comprehensive range of services for an increasing membership base, is paramount to the sterling customer service expected by CTFA member companies, this is an ongoing objective.

Regulatory harmonisation goes a long way to minimizing technical barriers to trade. Currently the technical barriers in the continent of Africa are a big challenge and many companies who want to export /trade in Africa find it extremely difficult. CTFA has been actively involved in promoting regulatory convergence by being part of the

Sub-Saharan African Task Force, that is driven by the Associations Personal Care Products Council (PCPC) and Cosmetics Europe (CE).

As an African Association regulatory convergence in Africa is a project that will be focal for CTFA in coming years.

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 3 309 patients participated in 323 workshops throughout 2018. 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 also go to the CTFA 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 2019.

Adelia Pimentel
Executive Director



FINANCIAL REPORT

We continue to make strategic decisions that position the CTFA as a leader in the regulatory space whilst keeping it financially healthy.

The Association's primary focus during the year under review continued to be on lobbying, advocacy and member benefits. The primary source of revenue was generated from fees levied to member companies.

The year under review was a financially successful year for the CTFA, and with sound financial management the Association met the approved 2018 budget and reported a surplus. This was due to new members joining the CTFA, retrieving other income by reviewing of artwork, issuing certificates of free sale and saving on an internal technical position which was filled only in the second half of the year.

Although the overall increase for membership was below CPI at 4.5%, income generated from membership grew by 4% over the prior year, due to new members joining the Association. A total of 36 new members joined CTFA bringing the total membership up to 147 companies. Interest received from investments also generated a 21% increase versus the previous year. This boded well for the Association in closing the year above budget and in a surplus of R1 186 836.

Operating expenses were well controlled and reflect a 2% decrease over the prior year, totalling R4,265 446 for the year versus R4,353 390 for the 2017 financial year. This was mainly due to a saving in salaries and consulting fees on projects that will only be finalised in the new financial year. A total of 74 members enjoyed the benefit refund of the early settlement offer.

Despite ongoing industry challenges, 2018 can be described as a time of growth, change, dialogue, membership introspection, communication and great teamwork. We will continue investing back into the organisation for the benefit of our members.

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

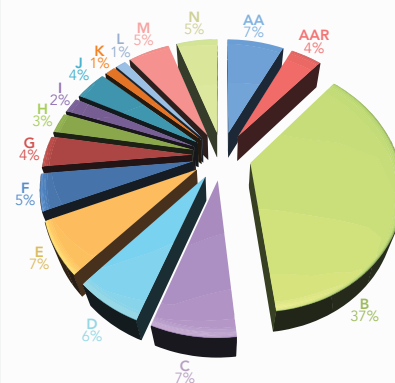
Lloyd Viljoen Accounting Services

New Members A-Z:

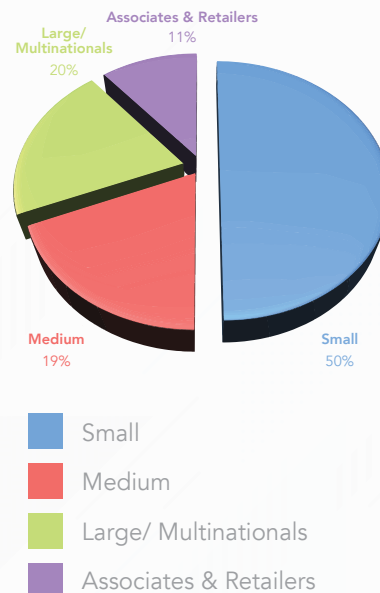
Ingram Healthcare (Pty) Ltd, Adsorb Technologies (Pty) Ltd, Beyouty Brands (Pty) Ltd, BHF Packaging (Pty) Ltd, Biomedical Emporium, Bon Vivier (Pty) Ltd, Botanichem CC, Brightwater Trade and Invest 67 (Pty) Ltd T/A Ripcurl, CJP Chemicals (Pty) Ltd, Cryoliving (Pty) Ltd, Dry Ink Solutions, Estee Lauder Companies, Fountain Medical (Pty) Ltd, Futurethis Consultancy (Pty) Ltd, Givaudan S.A (Pty) Ltd, Lamia Products (Pty) Ltd, La Van Skin and Body Excellence System, Lola Lee Beauty (Pty) Ltd, Lycoderm Laboratories (Pty) Ltd, Mundipharma (Pty) Ltd, Malee Cosmetics (Pty) Ltd, Maven Lifestyle (Pty) Ltd, Olive & Delmar LLC, Proficia Small Business Solutions (Shea Plus (Pty) Ltd, Protea Chemicals, Pulse Dermatology and Laser, Rosehip Farm (Pty) Ltd, Sefako Makgatho Health Sciences University, Solent Oral Care Ltd, Soulever Wellness CC T/A Bellabaci, The African Dermal Science (Pty) Ltd, The Cape Town Toiletry Company, The Outpost Body & Skin Care T/A The outpost Beauty, True Africa Trading CC, Urban Skin Rx (USRX) LLC, Xivunguvungu Projects (Pty) Ltd

Member categories 2018

% Splits: A + AA = Associates
AAR = Retail
B to N = Full members



CTFA Membership by size of companies



REGULATORY AFFAIRS

2018 has been a year of much regulatory uncertainty for the cosmetic industry, however, CTFA has continued to engage with regulators and stakeholders to ensure continuity in the industry with the least amount of disruption, providing guidance to industry and proactively mitigating the progress of uninformed legislation.

International Organization for Standardization (ISO)

The cornerstone of all standards is to safeguard consumers. The International Organization for Standardization (ISO) is an independent, non-governmental international organization with a membership of 163 national standards bodies, of which South Africa is actively involved under the South African Bureau of Standards member banner. SABS is a statutory body that was established in terms of the Standards Act, 1945 (Act No. 24 of 1945) and continues to operate in terms of the latest edition of the Standards Act, 2008 (Act No. 8 of 2008) as the national standardisation institution in South Africa.



South African standards are prepared and maintained to align as far as is

practicable with international standards, to enhance South Africa's trade regionally and internationally. In 2018 CTFA, on behalf of SABS, was mandated to represent South Africa at the ISO plenary meeting in Poland on 23 and 24 May and again on the 19 and 20 November in Monaco. At these meetings the mandate was to position the cosmetic industry in the various workgroups relevant to the industry.

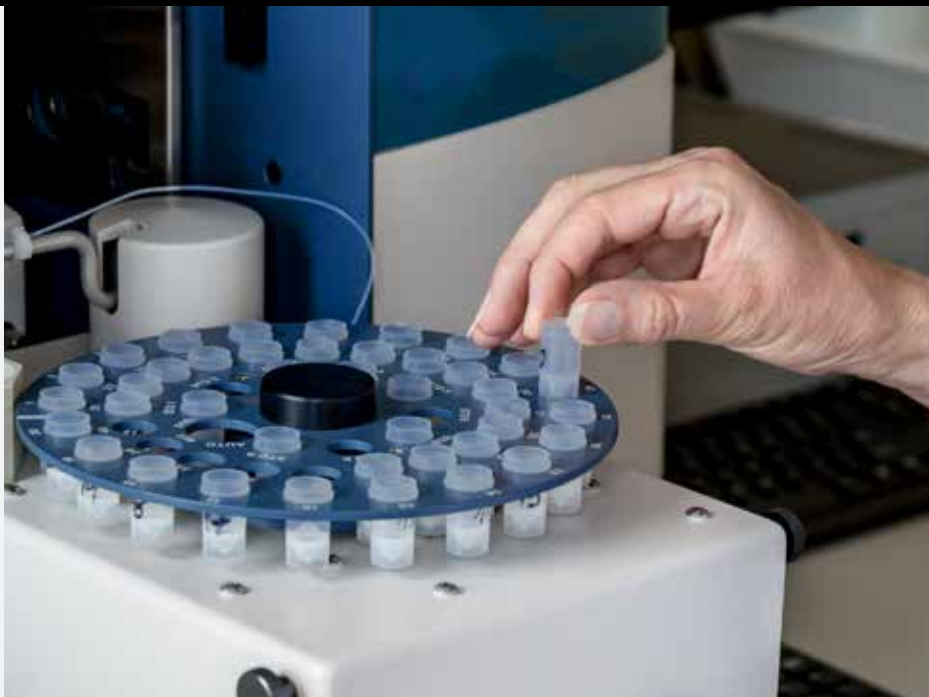
The ISO standards and guidance documents, relevant to the cosmetic sector published in the past year include:

- ISO/TR 18811:2018 Cosmetics -- Guidelines on the stability testing of cosmetic products (published February 2018).
- This document is a review of the available guidelines that assess the stability of cosmetic products and could serve as a technical/scientific framework to identify the most suitable methods for the assessment of the stability of cosmetic products (as per ISO standard description).
- ISO 11930:2019 Cosmetics -- Microbiology -- Evaluation of the antimicrobial protection of a cosmetic product (published January 2019).
 - This document specifies procedures for the interpretation of data generated by the preservation efficacy test or by the

microbiological risk assessment, or both, when evaluating the overall antimicrobial protection of a cosmetic product (as per ISO standards description).

2018 also saw the various ISO workgroups diligently committed to the update and review of the various cosmetic standards. With great importance and relevance to our sunny South African environment CTFA is closely monitoring the work being done in Workgroup (WG) 7, the sun care workgroup. New guidance documents and developments in this sector are being discussed and will impact the industry once published. WG 7 includes sun protection test methods and active projects include:

- ISO 24444 SPF *in vivo*
- ISO 24443 UVA *in vitro* method
- ISO 24442 UVA *in vivo* method
- Sun protection test methods - Water resistance - water immersion procedure
- Sun - Determination of percentage of water resistance
- ISO 23675 - *in vitro* SPF
- ISO 23698 Cosmetics Sun protection test methods - Measurement of the Sunscreen Efficacy by Diffuse Reflectance Spectroscopy



WG 3, the Analytical Methodology workgroup's active projects include:

- Measurement of traces of heavy metals in cosmetic finished products using ICP/MS technique
- Quantification of mercury in cosmetics products by Direct Mercury Analysis (DMA) and Determination of mercury in cosmetics by atomic absorption spectrometry (AAS) cold vapour technology after pressure digestion
- Development of a global approach for validation of quantitative analytical methods

South African Bureau of Standards (SABS)

The CTFA continued to maintain and strengthen their relationship with the South African Bureau of Standards (SABS) by being part of various forums, including the SABS Cosmetics Technical Committee 217 (TC217). In 2018 two

standards for the natural and organic sector were published:

- SANS 16128-1:2018: Guidelines on technical definitions and criteria for natural and organic cosmetic ingredients and products: Part 1: Definitions for ingredients (approved March 2018).
- SANS 16128-2:2018: Cosmetics - Guidelines on technical definitions and criteria for natural and organic cosmetic ingredients - Part 2: Criteria for ingredients and products (approved March 2018).

Both these standards are available on the CTFA website for members.

Scientific Committee on Consumer Safety (SCCS)

Technical information and opinions that were finalized and adopted by the Scientific Committee on Consumer

Safety (SCCS) with the most recent latest key technical information relevant to our local brand include:

Salicylic acid (CAS 69-72-7) - Submission I (SCCS/1601/18 - 21 December 2018):

The SCCS considers salicylic acid (CAS 69-72-7) safe when used as preservative at a concentration of 0.5 % in cosmetic products considering its current restrictions in place.

Based on the data provided and available literature, the SCCS considers salicylic acid (CAS 69-72-7) safe when used for purposes other than preservative at a concentration up to 3.0 % for the cosmetic rinse-off hair products and up to 2.0 % for other products, considering its current restrictions in place.

The safety of cosmetic ingredients Phenylene Bis-Diphenyltriazine - S86 (CAS No 55514-22-2) Submission II (30 July 2018)

Based on the data provided in the dossier, the SCCS considers Phenylene Bis- Diphenyltriazine, S86, safe for use as a UV-filter in sunscreen products at a concentration up to 5%.

Because of the insoluble nature of S86 and as no data was provided on safety via inhalation exposure, the SCCS considers its use safe only in dermally applied products and not in products that would lead to inhalation exposure. Phenylene Bis-Diphenyltriazine (S86) may contain impurities [1-methyl-2-pyrrolidone (NMP) and hydrazine], which are classified as Carcinogenic, Mutagenic or Reprotoxic (CMR 1B) and identified in the European Union as substance of very high concern (SVHC). Therefore, the level of NMP and hydrazine should be kept at trace levels.



Department of Environmental Affairs Microbeads

During 2018 various discussions were held both globally and locally on the impact of microplastics and microbeads on the environment. CTFA was invited to present at the *The Microplastics and Microbeads in the Environment Dialogue* on the 21st November 2018, an event hosted by The Department of Environmental Affairs and Water Research Commission (WRC). Microbeads have been under public scrutiny ever since studies on the marine litter issue found that these specks of plastic in products can pass through filtration and sewage systems, enter the waterways, ecological systems and potentially pollute the oceans. The possibility of South Africa banning microbeads with a probable timeframe of 2020/2021 was discussed at this forum.

CTFA members have been aware of the microbeads issue for some time and a survey done by the CTFA amongst CTFA members in the first quarter of 2018 showed that companies are in the process of implementing alternative substitutes.

Industry Waste Management Plans (IWMP)

Following the publishing of the National Environmental Management: Waste Act, 2008 (Act No 59 of 2008) Section 28 Notice on the 6 December 2017, companies were requested to register with the Department of Environmental Affairs by the 6 February 2018. All "Producers" as defined in Government Notice 1353, inclusive of brand-owners who are engaged in the commercial manufacture, conversion, refurbishment or import of products were required to register with the Minister.

In response to Section 28 of the National Environmental Management Waste Act (No. 59 of 2008) (NEMWA) and GN 41303 (December 2017) for Industry Waste Management Plans for the Paper and Packaging sector in South Africa, Packaging SA put together a "Federation

of Plans" which was submitted to the Department of Environmental Affairs (DEA) on the 6 September 2018. The plan included input of the relevant Producer Responsibility Organisations (PROs) in the various waste streams, which included Glass, Paper & Board, Metals, Polyofins, Polyethylene terephthalate, Polystyrene and Vinyls. CTFA also submitted comments for inclusion in the "Federation of Plans" on behalf of industry. The deadline for the Minister to give feedback on the chosen IWMP that would be implemented is the end of February 2019.

Anina van Der Walt
*Head: Regulatory Affairs
& Policy Analysis*



In 2018 the industry witnessed a lack of information in the Legal metrology Act, NRCS proposed changes to SANS289, ASASA's existence was still questionable and we experienced uncertainty and delay in the promulgation of the redraft of the DoH regulations. This uncertainty was mainly due to the lack of a cosmetic "home" within the department and an adequately resourced sector to support and enforce the regulations. DAFF is also still awaiting to be called upon by Parliament to present their non-support to the proposed amendments to the Animal Protection Bill.



Legal Metrology - The department of Trade and Industry's Notice no. 877 – Notice in terms of Section 38(1) of the Legal Metrology Act, 2014 (Act No. 9 2014) was published on 24 August 2018

CTFA's previous concerns on the lack of details of the registration requirement and process to be followed for manufacturing and importing companies was not addressed in the published bill. The NRCS did, however, take cognisance

of CTFA comments on the matter since the discussions began in 2017. The Bill states that all manufacturers must register within 3 years of the publishing of the Act. A registration certificate will be issued which will be valid for 5 years from the date of the first registration, after which the company must re-apply. The NRCS further confirmed that the application forms would be made available on the NRCS website and there would be no charge for registration as the main aim of the process was to ensure that companies register to make the NRCS is aware of the industry categories in which they are operating in. However, the online process was not in place at the time of publishing of the Bill, The NRCS has confirmed that the CTFA will be consulted on the best way forward to collate company information before the online system is implemented. The Act also states that importers whose products bear the e-mark must also register with the NRCS. All the requirements stipulated in SANS 289 must be met for prepackaged products.

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 National Regulator for Compulsory Specifications (NRCS) proposed changes to the above standard as per SADEC requirements to promote harmonisation of the requirements in the region. Proposed changes included the following:

- the requirement of the quantity of the product to appear on the main panel of the product
- the requirement for the 'country of origin' to appear on the labelling

In August 2018, CTFA submitted comments based on current practice which is based on current requirements of the standard and the requirements stipulated in the Department of Health (DoH) draft regulations for these areas. Our response included the rationalisation that prescription on positioning of quantity claim should not be a focus, but rather that the information appears in a legible format on the label is key. In the second case, CTFA impressed upon the importance of aligning with the upcoming regulations in an effort to prevent confusion within the industry surrounding this requirement.

The proposed Edition 2 of the standard was not forthcoming in 2018 and we hope to make headway on this in the new year.



Self-Monitoring and Action Committee (SMAC)

A work group that is tasked with addressing and handling product safety related matters within the industry 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 non-compliance within a self-regulated industry. With the



impending regulations on the industry, the function of this work group is continuously changing, as transgressors will need communication 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.

Advertising standards Association of South Africa (ASASA)

CTFA submitted the annually updated cosmetic code to the ASASA in June 2018. In 2018 the ASASA were under Business Rescue, however, CTFA's responsibility to represent and support industry's interest remained. CTFA continued engagement with the Body at Board level, to understand the status of their business and ensure that the cosmetic code was updated timeously on their website for public and professional referencing.

Later in 2018 we saw the dissolution of the ASASA due to failed long-term

efforts by business rescue agents and a new entity was formed, Advertising Regulatory Board (ARB) on 5 November 2018.

Department of Health (DOH)

In late December 2017, the Department of Health published the redraft of the Regulations relating to Labelling, Advertising and Composition of cosmetics, R. 1469

CTFA was pleased with the progress referred in the redraft and felt positive about a workable final regulation for the industry. However, it was important to submit additional comments on certain key aspects that CTFA identified as still requiring urgent attention from the regulator prior to promulgation. An industry collated commentary was submitted in March 2018.

The CTFA's engagement with the regulator provided a platform to make oral presentations, in the course of the year, of the industry's concerns if the

redraft was to go ahead without due consideration of our concerns on the compliance and transition periods and the possible update of the annexes due to the time lapse between the draft to redraft versions. CTFA has also underpinned the importance of the role that we play in the industry and that future partnership with a respected and knowledgeable industry association will benefit the regulator as well as the industry going forward.

Further engagement through the year proved that promulgation was uncertain due to the Registrar's resignation in December 2017 and the interim appointment of an acting CEO. CTFA addressed a letter to the Deputy Director General of the Department of Health proposing a workable structure for a Cosmetics Directorate responsible for cosmetic regulations.

The CTFA will be keeping a close eye on where the regulatory function for cosmetic products will reside and keep industry updated on developments.



Possible Animal Testing Ban

On 30 November 2017, the Department of Agriculture, Fishery and Forestry (DAFF) published the Animal Protection Amendment Bill, 2017 and

the Memorandum on the objectives 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 response, CTFA represented industry comments in a letter to the speaker of parliament, in December 2017. In 2018, CTFA made contact with DAFF and shared the industry concerns and the submitted commentary. Our submission was also shared with the Department of Trade and Industry (Dti) and the DoH. With all three of the regulators agreeing with CTFA comments and concerns, industry was reassured of their support. We await the Parliamentary process to ensue and are keeping constant contact

with the regulator for any developments in the new year.

Since the redraft of the Department of Health (DoH) regulations, the CTFA embarked on disseminating the content to the industry in preparation for imminent regulations and to support the transition during the reform.

In 2018, the CTFA Bridging-the-Gap Compendium was aligned with the redraft of the Regulations relating to Labelling Advertising and Composition of Cosmetics, R 1469.22 December 2017. This decision was taken to provide updated Annex listings for the industry based on CTFA's proposal to DoH in 2017.

Regulatory Alerts were introduced in 2018 as a means of keeping members updated on upcoming changes in local and international regulations. Members are invited to comment where relevant so that CTFA can collate and submit these to the relevant notifying authority.

International partnerships

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 has continued to be an agenda point at these meetings in 2018. The CTFA has communicated feedback on engagement and future plans of the regulator in an effort to ensure global alignment/convergence and international support.

In July 2018, the CTFA accompanied DoH at the International Cooperation on Cosmetics Regulation (ICCR) 12 meeting in Tokyo, Japan. South Africa attended as an observer country. We were invited to present industry commentary on the redraft of the regulations to both the international regulators and trade associations, alike.

CTFA Technical Committee

The CTFA Technical Committee continued supporting the technical and regulatory function of CTFA through providing commentary input and votes on important aspects that affect industry best practice and regulations. We look forward to a continued active working partnership with committed TC members.

Dershana Valla
Regulatory Affairs Manager



TECHNICAL COMMITTEE

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
- Allistar Mokoena - Johnson & Johnson (Pty) Ltd
- Arshdeep Joshi - Givaudan South Africa (Pty) Ltd
- Babalwa Mantyi - Colgate Palmolive (Pty) Ltd
- Christine Charlton - L'Oreal South Africa (Pty) Ltd
- Conny Oberrautter - CIO Consulting
- Dineo Modisaesi - Croda SA
- Ewarda Swart - Indigo Brands
- Heidi De Oliveira - Amka Products
- Hussein Kalla - Amka Products (Pty) Ltd
- John Knowlton - Cosmetic Solutions CC
- Karusla Naidoo - GlaxoSmithKline (Pty) Ltd
- Keshnee Dhanraj - Johnson & Johnson
- Martin Mason - Revlon South Africa (Pty) Ltd
- Nazir Kalla - Amka Products
- Nhlanhla Tshabalala - Procter & Gamble South Africa (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
- Reema Maharaj - Pick 'n Pay
- Robyn Brown - Botanichem CC
- 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 SouthAfrica (Pty) Ltd



CTFA MEMBERSHIP

Since inception, the purpose of the Cosmetic, Toiletry & Fragrance Association of South Africa (CTFA) has been to guide Members on the South African Regulatory Codes of Practice and Standards and to be a conduit for cosmetic and personal care industry growth. 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 Cosmetic, Toiletry & Fragrance Association of South Africa (CTFA) was formed in 1994 to allow representation of the cosmetics industry by a collective, objective body. The Association represents and promotes the interests of its' member companies, is an authoritative voice for the South African industry, actively articulates industry viewpoints to government departments, the media and key stakeholders, whilst promoting consumer safety.

The CTFA advocates international harmonisation and recognition and has since 2000, been a member of Cosmetics Europe, 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, by being part of CTFA committees and workgroups.

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.

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

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:

- 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 Regulatory 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 regulatory team has expertise in doing detailed artwork reviews and advising on how to ensure product compliance
- 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
- An "insurance policy" for compliant products

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



Dershana Valla: Regulatory Affairs Manager
Samantha Lotkin: Receptionist & Administrator
Omphile Lehau: Membership & Development officer
Adelia Pimentel: Executive Director
Anina van Der Walt: Head - Regulatory Affairs & Policy Analysis

LOOK GOOD FEEL BETTER

The Look Good Feel Better Foundation oversees a global network of 26 licensed affiliates that deliver Look Good Feel Better support programs in countries across the globe. Collectively, the 26-country network has served more than 1.8 million people living with cancer on six continents since the program began in 1989.



The Look Good Feel Better global network consists of the following countries:

UK, France, Netherlands, Ireland, Germany, Switzerland, Denmark, Italy, Norway, Spain, Sweden, Poland, Israel, Canada, United States, Columbia, Mexico, Ecuador, Brazil, South Africa, Singapore, Uruguay, Argentina, Chile, Australia, New Zealand

Look Good Feel Better (LGFB) is the only International cancer support charity that helps women and men manage the visible side effects of cancer treatment. Our aim is to greatly increase people's confidence and self-esteem at a very difficult time in their lives.

Finding out you have cancer is life-changing and the stress of the appearance-related side effects can feel overwhelming. The two-hour skincare and make-up workshops, which is offered to groups of patients, is specifically designed to assist both men and women in active cancer treatment to address the appearance related side effects of their treatment. Led by LGFB Beauty Volunteers, the sessions are an opportunity to meet others in a similar situation whilst

being taught vital skills.

LGFB receives no government funding, so relies entirely on the support and generosity of member companies, supporting organizations and individual fundraisers.

2018 was a difficult, but successful year for Look Good Feel Better. A total number of 3 309 patients participated in 323 workshops. Since the inception of LGFB SA 42 511 patients have been assisted during a record number of 3 868 workshops.

Our Volunteers are the heart of our program. We owe immense gratitude to our 274 volunteers for their support and dedication. Their commitment is commendable.

Our JHB and Zimbali golf days were once again a highlight in the golfer's calendar. A total number of 290 golfers attended these prestigious events with great entertainment and prices.

Another annual fundraising event is our Port Elizabeth Cancer Breakfast that was held in October month. 360 ladies attend this spectacular event.



look good
feel better

THE SOUTH AFRICA PROGRAMME 2018 FIGURES

 **323** LGFB Workshops

 **274** Volunteers

 **DONATED PRODUCTS**

 **3309** Patient Beneficiaries Reached



LGFB was also one of the beneficiaries for the Avon Justine iThemba Walkathon, where 30 000 walkers participated.

We are incredibly indebted to the volunteers and our generous sponsors. Without these two pillars, the program cannot exist.

Our Current Founder Members are:

- Indigo Brands
- Environ
- Avon Justine
- Colgate/Palmolive
- Estee Lauder
- L'Oreal
- Revlon

Our active members are:

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

Our associate Members are:

Vitaderm.
Isabella Garcia is a Platinum member.

During 2018 financial sponsorships were received from AVI, NCP Alcohols, Nedbank and Estee Lauder.

A special mention goes to CDP gifts, RAM, CABS for Car Hire, Netcad, Tsogo Sun, Meerendal wine Estate and Frika for their continued support.

We received products from L'Oreal, Isabella Garcia, Estee Lauder, Environ, Evolabs, Avroy Shlain, Avon

Justine, Cosmetix, Clarins, Johnson & Johnson, Annique, Chanel and Cosmetix

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 our worthy cause.

Ann Richardson said, "we cannot change the outcome, but we can affect the journey....."

Thank you for being part of our wonderful journey!

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.



FINANCIALS

COSMETIC TOILETRY AND FRAGRANCE ASSOCIATION OF SOUTH AFRICA

Annual Financial Statements for the year ended 31 December 2018 | 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 government 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	Hurlingham Office Park, 59 Woodlands Avenue, Block B, Hurlingham, Suite 2 & 3, 2196.
Postal address	P.O. Box 721, Randpark Ridge, 2156.
Bankers	First National Bank Limited.
Level of Assurance	These annual financial statements have been voluntarily audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Auditors	Watermans Chartered Accountants (S.A.) Registered Auditors
Preparer	The annual financial statements were independently compiled by: B.C. Graham C.A. (S.A.)

INDEX

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

General Information	20
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INDEPENDENT AUDITOR'S REPORT

TO THE EXECUTIVE COUNCIL 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 25 to 40, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, the statement of changes in funds 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 2018, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards 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.

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.

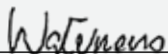
In preparing the financial statements, the executive council is responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the executive council either intends to 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
Per: T. Aarons C.A. (S.A.)
Partner
Registered Auditors

20 February 2019

Top Floor, 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 his responsibility to ensure that the annual financial statements satisfy the financial reporting standards with regards 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.

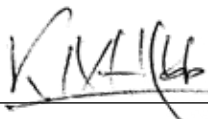
The executive council acknowledges that it is ultimately responsible for the system of internal financial control established by the association and places considerable importance on maintaining a strong control environment. To enable the executive council to meet these responsibilities, the executive 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.

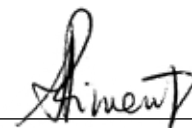
The executive council is of the opinion, based on the information and explanations given by management and the external auditors, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, 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 the 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 auditor's unqualified audit report is presented on pages 22 to 23.

The annual financial statements set out on pages 25 to 40 were approved by the executive council on 20 February 2019 and were signed by the representatives.



M. Hobbs (Chairperson)



M.A.L. Pimentel (Executive)

EXECUTIVE COUNCIL'S REPORT

The executive council presents its report for the year ended 31 December 2018.

1. Review of activities

Main business and operations

The principal activity of the association is that 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 government departments. It continues to lead the industry forward with regard to setting regulations and standards, and encourages responsible advertising. 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

There has been no changes in the executive council during the current financial year.

5. Independent Auditors

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

STATEMENT OF FINANCIAL POSITION

FIGURES IN R	NOTES	2018	2017
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	274,941	77,590
Other financial assets	5	4,655,301	4,673,229
Total non-current assets		4,930,242	4,750,819
Current Assets			
Trade and other receivables	6	296,138	42,555
Cash and cash equivalents	7	3,279,083	2,629,803
Total current assets		3,575,221	2,672,358
Total assets		8,505,463	7,423,177
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		8,310,679	7,123,841
Current liabilities			
Provisions	9	26,118	47,292
Trade and other payables	11	33,058	85,246
Deferred income	12	132,039	164,625
Bank overdraft	7	3,569	2,173
Total current liabilities		194,784	299,336
Total liabilities		194,784	299,336
Total equity and liabilities		8,505,463	7,423,177

STATEMENT OF COMPREHENSIVE INCOME

FIGURES IN R	NOTES	2018	2017
Revenue	13	5,310,076	5,121,694
Purchases		(60,585)	(56,562)
Gross surplus		5,249,491	5,065,132
Other income	14	82,981	51,641
Administrative expenses		-	(1)
Other expenses		(4,319,523)	(4,353,390)
Other (losses) / gains	17	(211,094)	107,863
Surplus from operating activities		801,855	871,245
Finance income	18	384,983	318,914
Surplus for the year		1,186,838	1,190,159

STATEMENT OF CHANGES IN FUNDS

FIGURES IN R

	Accumulated surplus	Total
Balance at 1 January 2017	5,933,682	5,933,682
Surplus for the year	1,190,159	1,190,159
Balance at 31 December 2017	7,123,841	7,123,841
Balance at 1 January 2018	7,123,841	7,123,841
Surplus for the year	1,186,838	1,186,838
Balance at 31 December 2018	8,310,679	8,310,679

STATEMENT OF CASH FLOWS

FIGURES IN R	NOTES	2018	2017
Cash flows from operations			
Surplus for the year		1,186,838	1,190,159
Adjustments to reconcile surplus			
Finance income		(384,983)	(318,914)
Decrease in trade receivables		(86)	-
Increase in other operating receivables		(253,583)	(11,796)
(Decrease) / increase in other operating payables		(52,188)	4,883
Decrease in deferred income		(32,586)	(19,631)
Depreciation and amortisation expense		40,709	26,521
Provisions		(21,174)	14,194
Fair value gains and losses		196,489	(107,863)
Gains and losses on foreign exchange realised in surplus or deficit		86	-
Losses on disposal of non-current assets		14,433	-
Total adjustments to reconcile surplus		(492,883)	(412,606)
Net cash flows from operations		693,955	777,553
Interest received		366,168	318,914
Net cash flows from operating activities		1,060,123	1,096,467
Cash flows used in investing activities			
Proceeds from sale assets		6,807	-
Purchase of assets		(259,386)	(36,638)
Proceeds from sale of investment		-	107,863
Purchase of other financial assets		18,014	(258,818)
Dividends received		18,815	-
Cash flows used in investing activities		(215,750)	(187,593)
Net increase in cash and cash equivalents		844,373	908,874
Cash and cash equivalents at beginning of the year		2,627,630	1,718,755
Cash and cash equivalents at end of the year	7	3,472,003	2,627,630

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. They are presented in South African Rand.

The preparation of financial statements in conformity with the International Financial Reporting Standard for Small and Medium-sized 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

NOTES TO THE FINANCIAL STATEMENTS

4. Property, plant and equipment

4.1 Accounting policies

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 2018				
Balance at 1 January 2018				
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
Movements for the year ended 31 December 2018				
Additions	230,782		28,604	259,386
Depreciation	(15,660)	(2,035)	(23,014)	(40,709)
Disposals	(15,038)	(6,288)	-	(21,326)
Property, plant and equipment at end of year	221,860	3,713	49,368	274,941
Closing balance at 31 December 2018				
At cost	234,834	10,482	127,499	372,815
Accumulated depreciation	(12,974)	(6,769)	(78,131)	(97,874)
Net book value	221,860	3,713	49,368	274,941

NOTES TO THE FINANCIAL STATEMENTS

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 year	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

NOTES TO THE FINANCIAL STATEMENTS

5. Other financial assets

5.1 Accounting policies

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 publicly 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 measured at cost less impairment.

5.2 Carrying amount of other financial assets by category

	At fair value through surplus and deficit	Debt instruments at amortised cost	Total
Year ended 31 December 2018			
Unlisted investments (Note 8)	4,655,301	-	4,655,301
Trade and other receivables excluding non-financial assets (Note 6)	-	153,492	153,492
Cash and cash equivalents (Note 7)	-	3,279,083	3,279,083
	4,655,301	3,432,575	8,087,876
Year ended 31 December 2017			
Unlisted investments (Note 8)	4,673,229	-	4,673,229
Trade and other receivables excluding non-financial assets (Note 6)	-	11,275	11,275
Cash and cash equivalents (Note 7)	-	2,629,803	2,629,803
	4,673,229	2,641,078	7,314,307

NOTES TO THE FINANCIAL STATEMENTS

6. Trade and other receivables

6.1 Accounting policies

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.

FIGURES IN R

	2018	2017
6.2 Trade and other receivables comprise:		
Deposits	153,492	11,275
Value added tax	142,646	31,280
Total receivables	296,138	42,555
6.3 Items included in trade and other receivables not classified as financial instruments		
Value added tax	142,646	31,280
Total non-financial instruments included in trade and other receivables	142,646	31,280
Total trade and other receivables excluding non-financial assets included in trade and other receivables	153,492	11,275
Total trade and other receivables	296,138	42,555

NOTES TO THE FINANCIAL STATEMENTS

7. Cash and cash equivalents

7.1 Accounting policies

Classification and recognition

Cash and cash equivalents are classified as non-derivative financial assets and are recognised on the statement of financial position when the association becomes party to the contractual provisions of the instruments.

Measurement

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 in current liabilities on the statement of financial position.

Cash and cash equivalents comprise cash held at bank. The carrying amount of these assets approximates their fair value.

FIGURES IN R

2018

2017

7.2 Cash and cash equivalents comprise:

	2018	2017
Cash		
Cash on hand	561	2,500
Bank Balances	3,278,522	2,627,303
Total cash	3,279,083	2,629,803
Bank overdrafts	(3,569)	(2,173)
Net cash and cash equivalents	3,275,514	2,627,630

7.3 Detail of cash and cash equivalent balances

Bank balances

Current account	136,120	106,812
Salaries account	3,134	11,430
Money market fund	3,139,268	2,509,061
Total	3,278,522	2,627,303

Overdrawn bank balances

Credit card	(3,569)	(2,173)
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8. Investments

8.1 Investments comprise the following balances

Stanlib Cautious Fund Investments	4,636,044	4,653,972
Liberty Collective Investments	19,257	19,257
	4,655,301	4,673,229

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

NOTES TO THE FINANCIAL STATEMENTS

9. Provisions

9.1 Accounting policies

Provisions for restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

FIGURES IN R

	2018	2017
9.2 Provisions comprise:		
Leave pay provision	26,118	47,292
9.3 Provisions for employee benefits		
	Leave pay provision	Total
Balance at 1 January 2018	47,292	47,292
Utilised during the year	(21,174)	(21,174)
Balance at 31 December 2018	26,118	26,118
	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

NOTES TO THE FINANCIAL STATEMENTS

10. Other financial liabilities

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.

FIGURES IN R

2018

2017

10.2 Carrying amount of other financial liabilities by category

	Debt instruments at amortised cost	Total
Year ended 31 December 2018		
Trade and other payables excluding non-financial liabilities (Note 11)	33,058	33,058
Bank overdraft (Note 7)	3,569	3,569
	36,627	36,627
Year ended 31 December 2017		
Trade and other payables excluding non-financial liabilities (Note 11)	85,246	85,246
Bank overdraft (Note 7)	2,173	2,173
	87,419	87,419
11. Trade and other payables		
11.1 Accounting policies		
Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.		
11.2 Trade and other payables comprise:		
COIDA accrual	6,307	31,575
Other accruals	26,751	53,671
Total trade and other payables	33,058	85,246
11.3 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	33,058	85,246

NOTES TO THE FINANCIAL STATEMENTS

12. Deferred income

12.1 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 income received where the association has yet to comply with all attached conditions are recognised as a liability and released to income when all attached conditions have been complied with. Deferred incomes received are included in profit or loss.

FIGURES IN R

2018

2017

12.2 Deferred income comprise:

Annual memberships fees received in advance	132,039	164,625
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13. Revenue

13.1 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:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- 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:

- surveys of work performed;
- services performed to date as a percentage of total services to be performed;
- 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.

FIGURES IN R

2018

2017

13.2 Revenue comprises:

Fees received	5,310,076	5,103,694
Income-Compendium	-	18,000
Total revenue	5,310,076	5,121,694

NOTES TO THE FINANCIAL STATEMENTS

FIGURES IN R	2018	2017
14. Other income		
14.1 Other income comprises:		
Artwork income	20,703	51,641
Debriefing sessions	6,300	-
Certificates of Free Sale	1,900	-
Cancelled memberships	54,078	-
Total other income	82,981	51,641
15. Employee benefits expense		
15.1 Accounting policies		
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.		
The expected cost of profit-sharing and bonus payments are recognised when there is a present legal or constructive obligation to make such payments as a result of past events, and a reliable estimate of the obligation can be made. A present obligation exists when there is no realistic alternative but to make the payments.		
15.2 Employee benefits expense comprises:		
Salaries	1,875,865	2,596,686
16. Depreciation and amortisation		
16.1 Depreciation and amortisation comprises:		
Fixtures and fittings	15,660	8,149
Office equipment	2,035	1,668
Computer equipment	23,014	16,704
Total depreciation and amortisation	40,709	26,521

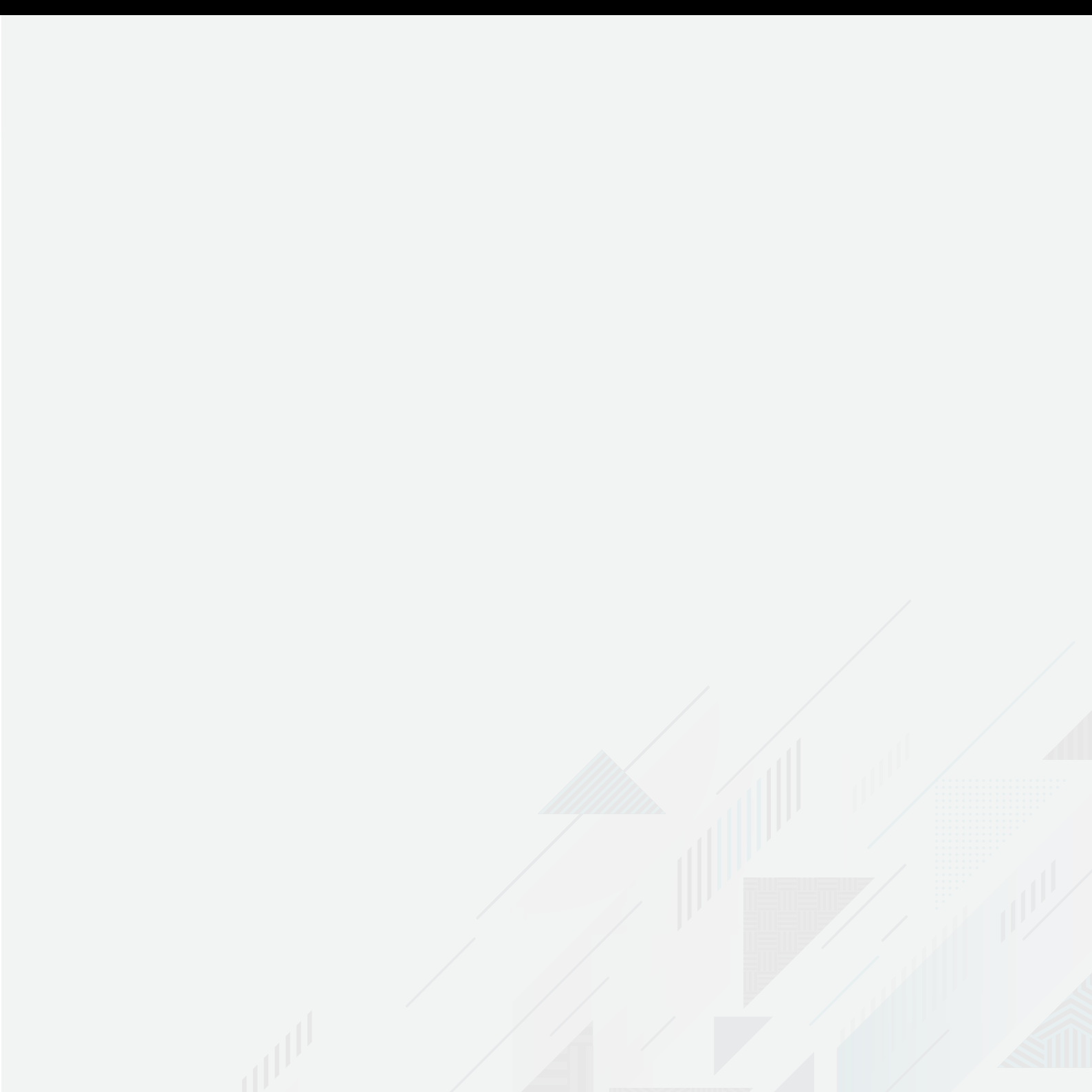
NOTES TO THE FINANCIAL STATEMENTS

FIGURES IN R

	2018	2017
17. Other gains and losses		
17.1 Other gains and losses comprise:		
Gain or loss on disposal of assets	(14,519)	-
Gain or loss on foreign exchange differences on assets	(86)	-
Fair value gain on investment	(196,489)	107,863
Total other gains and losses	(211,094)	107,863
18. Finance income		
18.1 Finance income comprises:		
Investment income	206,422	150,955
Dividends received - Investment	18,815	-
Interest received - Investment	159,746	167,959
Total finance income	384,983	318,914

19. Income taxation expense

No provision has been made for the 2018 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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