

ctfa

COSMETIC TOILETRY & FRAGRANCE
ASSOCIATION OF SOUTH AFRICA



25 years
1994 - 2019

ANNUAL REPORT 2019

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FOLLOW OUR 25 YEAR JOURNEY

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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.

KEY ROLES

1. Promote a responsible regulatory environment.
2. Focus on issues and activities important to Members by providing a credible co-ordinated voice to Government, the Media and key Stakeholders.
3. Create the most favourable economic and regulatory operating environment by advocating for and advising on best practice and accountability.
4. Align and optimise South Africa with global regulatory best practice.
5. Enhance the value of the Association for 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.

EXECUTIVE COUNCIL

Gilles Antoine – Chairperson
L’Oreal South Africa (Pty) Ltd

John Knowlton
Cosmetic Solutions

Nizam Kalla
Amka Products (Pty) Ltd

Momin Hukamdad
Avon Justine (Pty) Ltd

Priyan Pillay
Colgate-Palmolive (Pty) Ltd

Tarryn Gordon-Bennett
Revlon South Africa (Pty) Ltd

Warren van Niekerk
Beiersdorf Consumer Products (Pty) Ltd

Wayne van Wyk
Vantage Speciality Chemicals (Pty) Ltd

Werner Thetard
Indigo Brands (Pty) Ltd

Adelia Pimentel – Executive Director
CTFA

CHAIRPERSONS:
1994 – 2019

2019: Gilles Antoine

2015 – 2019: Mark Hobbs

2008 – 2014: Scott Maddock

2004 – 2007: Russell Pollard

2000 – 2004: Robert Lunt

1998 – 2000: Vanessa Solomon

1997 – 1998: John Paidoussi

1996 – 1997: Brett Gage

1994 – 1996: Don Kourie

THE ROLE OF THE EXECUTIVE COUNCIL:

- To define key deliverables for CTFA
- To represent its Members
- To review CTFA objectives
- To be proactive on current issues
- To seek ways to improve the industry
- To set direction and pace
- To drive projects with special portfolios
- To ensure that the publicity and marketing of CTFA is effective
- To represent the industry at senior government levels
- To attend government meetings where necessary



25 YEAR JOURNEY

1994 - 2019



- 2019 - Celebrating 25 years
Gilles Antoine is elected as Chairperson of the Association
- 2018 - The Advertising Standards Authority of South Africa (ASASA) is liquidated and a new entity called the Advertising Regulatory Board (ARB) with the same mandate is established
- 2017 - CTFA invited by the DOH to attend the International Co-operation on Cosmetics Regulation (ICCR) meeting in Brazil as the industry Association representative for South Africa
December 2017, the Department of Health (DOH) publishes the redraft regulations relating to Foodstuffs, Cosmetics and Disinfectants Act: Regulations: Labelling, advertising and composition of cosmetics
- 2016 - The Department of Health published draft regulations for the cosmetic industry. CTFA submitted comments on behalf of industry
- 2015 - The first inaugural Dti Cosmetics Steering Committee is incepted with the mandate to address the cosmetic industry's needs. The DTI and CTFA foster a stronger relationship and agreement on combined projects such as campaigns and training programmes for Port Health officials and emerging entrepreneurs
Mark Hobbs is elected as Chairperson of the Association
- 2014 - CTFA is requested to be a part of the technical forum heading the Department of Environmental Affairs' Bioprospecting Access and Benefits Sharing (BABS) to facilitate Bioprospecting permits
- 2013 - The CTFA was contacted to assist the Department of Labour (DOL) with the formation of the Chemical Sector Occupational Health and Safety Accord. This agreement was between Government, organised labour and organised business to improve the status of Occupational Health and Safety (OHS) in the chemical sector in South Africa

25 years
1994 - 2019

In October South Africa signed the MINAMATA Convention on Mercury. This gesture ensured that the use of mercury in cosmetics was banned. The CTFA was and continues to be part of the ongoing interactions

- 2012 - Following the Consumer Protection Act coming into effect in 2011, the CTFA was represented on the task team which was responsible for the compellation of the generic consumer goods industry code of practice. This groundwork resulted in the formation of the Consumer Goods and Services Ombud (CGSO)
- 2011 - CTFA handed over the reins to CECOSA, the new Cosmetic Export Council of South Africa in a Public-Private Partnership (PPP) with the Department of Trade and Industry (the Dti)
- 2019 - Acquisition of CTFA Exports
- 2008 - Scott Maddock was elected CTFA Chairperson
- 2006 - International SPF Test method signed and agreed to by South Africa, Japan, Europe & USA
- 2004 - Russell Pollard was elected Chairperson of the Association
- 2002 - International Sunscreen Conference held at Sun City, South Africa, where the second edition of the sunscreen standard 1557: 2002 was launched
- 2000 - CTFA SA became a member of Colipa (The European Cosmetic and Perfumery Association)
Robert Lunt was elected Chairperson of the Association
- 1999 - ISO/TC 217/WG 7 – Sun protection test methods working group was formed as a result of a CTFA initiative and an international committee of sunscreen experts from around the world was formed
- 1998 - Ad Valorem reduced by another 5%
The first edition of the CTFA Cosmetic Compendium was published
Vanessa Solomon was elected Chairperson of the Association
- 1997 - Ad Valorem excise tax was reduced from 37.5% to 15%
CTFA received approval from the MCC by way of resolution 172.08.06
The resolution accepted the EU definition of a cosmetic
John Paidoussi was elected Chairperson of the Association
- 1996 - Brett Gage was elected Chairperson of the Association
- 1994 - The Cosmetic, Toiletry and Fragrance Association of South Africa (CTFA) was formed in March 1994 by dedicated founding members, to allow representation of the cosmetics industry by a single, focused body
Don Kourie was elected as the first Chairperson



CHAIRPERSON'S REPORT

Gilles Antoine | *Chairperson*

Over 50 million people in South Africa use cosmetic products and we estimate the health and beauty market reached R32 Billion growing at a very resilient +5% in 2019.

The penetration in most categories is very high, which indicates that the potential of consumption is significant. Consumers who use our products, are very careful in their choices, value innovation and recognise through their purchases the need to be environmentally conscious.

The most important aspect of this relationship between brands and consumers is probably sincerity. Sincerity means that consumers want to be able to trust the benefit, the results, the claims, the ingredients, the way we manufacture our products, the advertising that we create and overall the brands' equity. It is an on-going marketing quest and sincerity towards the consumers is the only guarantee to long term brands success.

This is where CTFA is so important for our industry.

CTFA's mission is to defend and develop our industry, the personal care and beauty industry, ensure consumers' protection, be the best and the most legitimate partner for our stakeholders and create added value for you, our members.

Defending and developing our Industry means that we need to fight against counterfeit, raise awareness on illegal imports, better understand consumer trends, accompany our industry towards a future plastic-less market requirement, be a proactive actor on sustainable retail and digital beauty.

Protecting consumers means that we need to have the utmost attention to ingredients and to a manufacturing exemplarity. It also means that we have the obligation to market products that are safe for consumers and compliant with legislation.

Be the best and the most legitimate partner means that we have to engage with the authorities to voice our projects, challenges, ideas and recommendations. The authorities are numerous, with different purposes: National Department of Health; Department of Environment, Forestry and Fisheries, National Consumer Commission, Embassies and the South African Bureau of Standards. It is a strategic part of CTFA's responsibility because the authorities need to see in CTFA the expert of the beauty industry in all its dimensions, from product concept to consumers' feedback.

Creating value for you, our members. You are the very reason for the existence of CTFA through the membership that you loyally pay every year. We owe you a high added value to help you develop your brands; more consumer studies centered around our common needs; more insights around trends and new ideas; more anticipation of industry shifts, a sharper communication on ingredients.

The vision that I would like to share with you is that CTFA needs to be an actor of choice in your development; an expert, exemplary, solid and consistent partner in the strategic choices and projects that our Industry will have to face.

CTFA's assets are strong: a solid and talented team, led by Adelia Pimentel; great offices in Hurlingham Office Park to welcome our visitors and organize training sessions, a great number of Technical Committees, with experts highly dedicated to exploring any kind of projects and issues and a solid financial situation, which is allowing us to foresee the future with confidence.

2019 has been a year of change: Mark Hobbs returned to England and I want to pay a tribute to his contribution to CTFA over the past years. I took over his role as the Chairperson in the winter of 2019.

In 2019, the Board has been slightly renewed and modernized; the rules of engagement have been clarified

and updated for a more transparent approach, the strategy re-shaped slightly to give more room to new projects; the regulatory focus sharpened. But we still have a lot to do to achieve excellence in everything that we undertake and given the small team that CTFA has, a sense of priorities is key.

We have also worked hard to establish the link with the National Department of Health that was missing for a long time in order to accelerate the promulgation of legislation.

2020 is starting with challenges in many different areas, including the coronavirus Covid-19 that will impact the business overall. In these times of turbulences, I believe a great proximity, and agility are necessary to make sure we listen even more to your needs to ensure a correct implementation of the strategy.

I wish you all the best for 2020 and I am at your disposal for any recommendation you may want to express.

Best regards
Gilles Antoine | Chairperson





EXECUTIVE DIRECTOR'S REPORT

Adelia Pimentel | *Executive Director*

The CTFA's main role is to support a sustainable and respected South African cosmetics industry. Whilst this remains an ongoing objective, the CTFA has further succeeded in its mission during the past year by being proactive on a number of key industry issues.

2019 was yet another year of waiting for the National Department of Health's (NDoH) decision on the way forward for the cosmetic industry with regards to promulgation of the draft regulations. Notwithstanding the lack of movement, CTFA continued to lobby and network with the department for a cosmetic regulatory structure within the NDoH. In November 2019, the CTFA addressed yet another letter to the Minister of Health and the Director General of the Department of Health requesting a meeting to discuss clarity in the cosmetic industry status quo with regards to regulating the industry. We await their response.

One of the CTFA's key roles as an industry association is to create awareness of the pending promulgation and current compliance requirements.

To this end, various training interventions were held during 2019 with both members and non-members. Training programs included Good Manufacturing Practice; Labelling, Product Claims and Substantiation and Product Information File, amongst others. The training was well attended and occurred in Johannesburg, Durban and Cape Town.

In March 2019, SARS issued a discussion document on Ad Valorem and invited industry to comment on the impending rewrite of the Excise Legislation. This was the beginning

of a consultative process with government to provide and cultivate a world-class excise administration to keep pace with international best excise practice. This was an opportunity to assist government and business in identifying aspects of the present legislation, policies and procedures that are outdated, ineffective and inefficient. Further engagement on this is eminent in the new year.

Regulatory harmonisation goes a long way to minimising 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).

In 2019, the CTFA was part of an advocacy mission organised by PCPC and CE to Kenya to meet key local stakeholders (Ministry of Trade (MoT), Ministry of Health (MoH), Kenyan Bureau of Standards (KEBS), the Kenyan Association of Manufacturers (KAM) and the Trademark Association). The objective of this mission was primarily to discuss best practice, convergence of standards and ultimately reduce barriers to trade whilst providing guidance for regulatory reform. As a direct result KEBS agreed to remove the PVOC Zoning system, which was one of the key barriers to trade.



Meeting in Nairobi, Kenya - October 2019 with the Kenya Association of Manufacturers (KAM)



The CTFA and IKW team hosted their first safety assessor training seminar in September 2019.
 (Left to right) Dr Dagmar Bury, Associate Director, Loreal – France, Dershana Jackson, CTFA, Dr Andrea Weber, Head of Research & Development, Dr. Babor – Germany, Yashmay Gordhon, CTFA, Birgit Huber, Deputy Director General, IKW - Germany and Adelia Pimentel, CTFA.

Discussion on standards and regulatory guidelines will be an ongoing discussion for some time.

International networking is paramount to keeping the local industry informed on best practice and global updates that impact industry. CTFA further widened its international reach via various networks in 2019 by becoming members of the International Association Co-operation (IAC) through Cosmetics Europe. This forum discusses international concerns and promotes global harmonization by harnessing global synergies and input into various areas of commonality like animal testing, China's import requirements, amongst others.

CTFA's portfolio is widespread and apart from the interaction with the Department of Health, also involves local lobbying and networking as an ongoing objective. In 2019 various interventions were held with the Department of Trade and Industry (DTI), the Department of Environment Forestry and Fisheries (DEFF), the South African Bureau of Standards (SABS), the National Regulator for Compulsory Specifications (NRCS), Treasury and the South African Revenue Service (SARS).

Internally, Dershana Jackson took on the new role of Head: Regulatory & Policy Affairs and we welcomed Yashmay Gordhon, a registered pharmacist, who brings a skills set to the CTFA that complements the current skills and enhances the CTFA technical support structure to the various members.

A very important aspect of CTFA is its corporate social responsibility arm, Look Good Feel Better, who have made a huge difference in the lives of so many people fighting cancer. A total of 2 880 patients participated in 301 workshops throughout 2019. The dedication of both the LGFB staff and the 270 volunteers is remarkable. A sincere thank you to all CTFA members who support this worthy cause.

In conclusion, my thanks go to all who have collaborated over the last 25 years to help grow and establish CTFA as an industry force. A special mention to the CTFA Executive Council, the various technical teams, work groups and the CTFA members, it is thanks to your contribution and the sharing of your passion and expertise that we have thrived.

Adelia Pimentel | Executive Director



Dershana Jackson



Yashmay Gordhon

REGULATORY AFFAIRS

Dershana Jackson | *Head: Policy & Regulatory Affairs*
Yashmay Gordhon | *Regulatory Affairs Officer*

2019 proved to be a complex year with varying degrees of regulatory evolution being the driver for reform and updates. There was an obvious shift toward consumer driven requirements, like animal testing bans and the demand for natural and organic products; product efficacy, with sun protection factor test methods to support product claims and product safety, that has functioned as the premise for regulatory reform in many countries around the globe, as well as advances in technology for analytical test methods to ensure safety.

CTFA has kept abreast of these unfolding developments, handling each with the required action of either dissemination to the local industry, representation of an industry position or suggestions on the way forward on regulatory and technical matters for the South African context. CTFA's continuous engagement with local and international stakeholders continues to create awareness and raise concerns from industry with the aim to influence discussions or decisions made at various levels within these structures. What follows is an overview, by CTFA's Regulatory experts, of the various projects that informed many discussions and actions taken on behalf of the South African cosmetic industry during the year under review.

INTERNATIONAL LIAISON

International Organisation for Standardisation (ISO)

As is the case every year CTFA represents the South African Bureau of Standards (SABS) at the bi-annual International Standards Organisation's meeting. In 2019 these meetings were held in June in Brussels and in November in Switzerland. Various work group meetings were underway in 2019, Analytical methods; Terminology; Microbiological test methods and Sun care.

South Africa was represented at all the work groups except the Microbiological test method work group. The reason for this is that SABS adopts the standards from this work group without any amendments as these provide the backbone to product safety testing and South Africa is in agreement with the test methods developed by experts from around the globe.

For the Terminology group the following standards were discussed as requiring a supporting technical report to improve the interpretation of these standards.

1. ISO 16128 –1: Guidelines on technical definitions and criteria for natural and organic ingredients and products, Part 1: Definitions for ingredients

ISO 16128 -2: Cosmetics – Guidelines on technical definitions and criteria for natural and organic cosmetic ingredients, Part 2: Criteria for ingredients and product.

For the Analytical Methods workgroup, the discussions revolved around developing and validating test methods for the qualitative analysis of heavy metals and mercury in cosmetic products using various methods. The requirement was for capable laboratories to participate in a global ring trial to ascertain result consistency as a measure of validation of the test methods developed thus far. South Africa also participated through Mérieux Nutrisciences expert laboratories based in Europe. The result from the ring tests proved that not all the participating laboratories followed the protocol accurately due to individual challenges faced during the testing process. This explained the inconsistencies in the results and it was decided that the ring testing would be reconducted and the results would be presented at the next ISO meeting.

The Sun Care Work Group meeting was attended by an expert from Sefako Makgatho University. The test methods discussed at the meetings included a South African perspective on the practical application for our local market bearing in mind the availability of instrument capability locally.

The following test methods were discussed: In vivo and in vitro testing of SPF and water immersion procedure for defining water resistance.

African Organisation for Standardisation (ARSO)

African Organization for Standardisation (ARSO) is an intergovernmental body established by OAU and UNECA in 1977 with the principal mandate to harmonise African Standards and conformity assessment procedures in order to reduce technical barriers to trade and therefore promote intra African and international trade as well as enhance the industrialization of Africa.

The South African Bureau of standards (SABS) and CTFA representatives attended a workshop hosted by ARSO, in November 2019, in Nairobi, Kenya. The objective of the workshop was to consider the adoption of the various national standards proposed as ARSO standards. One of the outcomes of the workshop was that all participating members would reach a consensus to progress the proposed standards through the ARSO approval process, for possible adoption as national standards by countries across the Continent.



Cosmetic, Cosmetology and Wellness Workshop in Nairobi, Kenya - November 2019.



Responsible Person and PIF training on 24 July at CTFA offices.

The South African delegation raised concerns around trade barriers created by the current system of East African Community (EAC) standards, and proposed that the International Organisation's standards be adapted to individual local requirements. South Africa has over the years created a library of standards that are mostly aligned with international best practice to enable international trade of safe and efficacious products.

WTO Regulatory Alerts

CTFA receives notifications from the World Trade Organisation (WTO) on a regular basis, and shares the relevant alerts with members that could impact business operations and international trade.

In 2019, a number of such notifications prompted CTFA to submit comments to the relevant authorities.

1. National Medical Products Administration in China- Draft regulation for notification of non-special cosmetics

On 13 June 2019, CTFA submitted comments to the Draft Regulations for Notification of "Non-Special Purpose Cosmetics Recordation Administration Measures" issued on 27 May. In the letter to the National Medical Products Administration in China, CTFA stated its' support for China's move towards international convergence of cosmetic regulation in terms of recognition of safety assessments. In supporting this move, CTFA noted that not all countries are able to issue quality management certificates. In light of national differences, the following alternatives were suggested:

- Regulatory certificates issued by any level of administration (state, provincial, municipal, etc.)

- Certificates issued by organisations, such as trade associations, that are recognized or authorized by regulators
- Certificates issued by organizations that are recognized by relevant international standards organizations such as International Standards Organization.
- Requirement of Quality management certificate issued by the health authority of importing country
- Safety-assessment based exemption from toxicology testing

The Draft Regulation excludes products for children or infants and products with new ingredients from the possibility of waiving animal testing requirements. Since there is no scientific justification to exclude these products from a safety assessment approach, CTFA reiterated that it is international best practice to include the safety assessments of baby products.

2. United States of America Food and Drug Administration (FDA)- Proposed Rule Announcement on Sunscreen Products 21 CFR Parts 201, 310, 347 and 352

On 26 June 2019, CTFA submitted comments to the US Food and Drug Administration regarding the Proposed Rule on Sunscreen Products 21 CFR Parts 201, 310, 347 and 352. It was important to convey the need for the South African sunscreen regulatory regimen to be flexible and accommodating yet assure adequate access to safe and efficacious sunscreen products for the public.

- FDA Proposal 1: Proposed GRASE status of Active Ingredients in the stayed 1999 Final Monograph:

It was stated that there are "12 ingredients for which there are insufficient safety data to make a positive GRASE determination at this time. To address these 12 ingredients, the FDA is asking industry and other interested parties for additional data".

CTFA commented that the designation of Benzophenone-6 and Methyl Anthranilate are no longer listed as permitted UV filters in the South African market. Therefore, their designation as "Not GRASE" will not affect South Africa negatively.



However, regarding the remaining 10 ingredients, CTFA proposed a five-year deferment period from the final rule for the ingredients to remain on the market, as the additional data is generated to demonstrate that they are GRASE based on the specific criterion per the FDA with regular updates to the regulatory agency.

Furthermore, it was proposed that the FDA expands its list of UV filters to harmonize with the EU and other countries to above the 12 proposed Category III as GRASE on its sunscreen monograph.

- *FDA Proposal 2: Proposed Requirements Related to Dosage Forms:*

It was stated that “powders are proposed to be eligible for inclusion in the monograph. Additional data in the form of particle size restrictions if found to be GRASE are requested before powders can be included in the monograph”.

To this, CTFA commented that in South Africa, powders are included as a form of sunscreen that is GRASE (for example make-up products). The exclusion of powders will prevent South African sunscreen products from being exported to the USA. Therefore, it was proposed that powders be included as a GRASE sunscreen form irrespective of particle size as they play an important role in make-up products which serve to protect the consumer from the harmful UV rays in a different product category, which adds to product innovation and efficacy aimed at consumer safety benefits.

- *FDA Proposal 3: Proposed Maximum Sun Protection Factor and Broad-Spectrum Requirements:*

The proposal was to “raise the maximum proposed SPF value on sunscreen labels from SPF 50+ to SPF 60+.

CTFA commented that products with SPF limits higher than 50+ will not be permitted on the South African market. Therefore, CTFA proposed that the FDA align with the EU’s capping limit of 50+, in order to avoid a potential barrier to trade for US labelled sunscreens.

- *FDA Proposal 4: Proposed Principal Display (PDP) Labelling Requirements:*

It was proposed that “new sunscreen product label

requirements to assist consumers in more easily identifying key information, including the addition of the active ingredients on the front of the packaging. To bring sunscreen in line with other OTC drugs; a notification on the front label for consumers to read the skin cancer/skin aging alert for sunscreens that have not been shown to help prevent skin cancer; and revised formats for SPF, broad spectrum and water resistance statements”.

CTFA commented that phrases such as “Drug Facts” and “Active Ingredients” are misleading and often causes issues at the South African ports of entry. The Port authorities regard such products imported from the US labelled as “medicines”, although they may be cosmetics. This causes delays in the availability of the product, and thus loss in revenue.

- *FDA Proposal 5: Proposed Requirements Related to Final Formulation Testing Processes and Recordkeeping:*

The proposal was to “clarify FDA’s expectations for testing and record keeping by entities that conduct sunscreen testing to ensure that the FDA can assess industry compliance with regulations. CTFA commented that inferred FDA test site registration would not be advised as an option as this may have the unintended consequence of systematically excluding test sites outside the regulatory jurisdiction of the FDA.



3. European Commission- Draft Commission Regulation Amendments and Corrections- WTO Notification no. G/TBT/N/EU/666

On the 6th of August 2019, CTFA submitted comments to the European Commission regarding their Draft Commission Regulation Amendments and Corrections- WTO Notification no. G/TBT/N/EU/666. The main purpose of the comments was to draw attention to the potential impact that the amendments and corrections have for the South African cosmetic industry. In terms of export to the European Union (EU) from South Africa, both product formulary and packaging components of products will be impacted. Therefore, the proposal was for the South African industry to be granted a transitional period for compliance. It was also mentioned that the South African Draft Regulations are premised on the Regulation (EC) No.1223/2009, therefore any proposed amendments are viewed with a futuristic adoption into the SA regulatory reform, and the associated impact thereof.

The comments submitted were acknowledged by the European Commission.

4. African Organisation for Standardisation- New Work Item Proposal

On 1 November 2019, CTFA submitted comments to the African Organisation for Standardisation (ARSO) regarding the "New Work Item Proposal" stating support for ARSO's move towards international convergence of cosmetic control in terms of recognition of consumer safety and industry responsibility. However, general comments from CTFA explained that the proposed new work items posed as technical barriers to trade that South African cosmetic companies encounter when they export products to East African Countries. The belief is that the new work item proposals would further isolate not only locally manufactured cosmetic products but additionally cosmetic products manufactured from other parts of the world that follow a standardization system similar to that of South Africa, based on global harmonisation driven by the International Standards Organisation (ISO).

ARSO's proposed approach to standardization is premised on product quality whereas in South Africa the approach is product safety driven. In light of this, the CTFA's proposal was for ARSO to reconsider the adoption

of existing ISO/TC 217 Cosmetic Standards that are in use in South Africa and the rest of the world so that Africa is not isolated in terms of trade with the continent on the chosen harmonization standards. CTFA encouraged ARSO to adopt a more global approach to harmonization instead of one that is continental and suggested that ISO is a suitable basis for this.

Regulatory Industry Trends

Animal testing ban:

In 2019, there were many international regulatory trends that were prevalent in various areas of the regulatory scope. One that has been trending for the last few years and proving to gain more traction was the animal testing ban. With CTFA's engagement with other international cosmetic trade associations it was evident that animal protection activists were stepping-up their methods of securing attention and results from regulators. This led to the international cosmetic community to get more involved with such groups and manufacture animal testing code/policies that could be adopted in various regions. As a result, the industry saw the USA government change policy around animal tested ingredients and products entering their markets. Chinese authorities will hopefully also consider a ban especially with regards to imported products. Back home, Beauty Without Cruelty, has contributed to an article in the media stating its plans to initiate an amendment to the Animal Protection Act that would ban cosmetics testing on animals in South Africa. The intention of this amendment would "prohibit the sale and manufacture of cosmetics final products and ingredients which were tested on animals in South Africa and to criminalise testing of cosmetics on animals" Weekend Argus, 10 Jan 2020.

Cosmetic product claims:

The South African cosmetic industry relies on the European Union regulatory developments to inform guidelines within the local self-regulated framework has been the case for the last 25 years.

One such area that is adopted is the principles and guidelines for product advertising specifically as it refers to product claims. CTFA updates the Advertising Regulatory Board's Advertising code of practice Appendix B –

Cosmetics on an annual basis to ensure that there is a level playing field for marketing of products and to prevent the use of prohibited claims.

Europe has advanced in controlling the use of “free-from” and “hypoallergenic” claims as new scientific evidence has emerged on the safety of certain ingredients and the misuse of “hypoallergenic” claims, especially when ingredients present in a specific product are allergens in themselves. This change was affected in June 2019 and was considered for adoption in South Africa. After an impact assessment and discussions held at work group level the technical committee conceded that industry should be granted a 2-year transition period before these entries are officially included in the ARB’s Cosmetic code in September 2021.

Regulatory reform:

Regulators around the world are considering reforming their current regulatory environments by introducing formal regulations to govern the cosmetic industry.

This brings associated challenges especially when consideration of trade barriers and global best practice are neglected. CTFA represented the concerns of the South African industry by submitting commentary to the various regulators, ensuring that national and international perspectives were addressed.

LOCAL STAKEHOLDER ENGAGEMENT

Poisons Information Centre

Chemical agents at the root of poisoning can include medicines, household agents, pesticides and other substances including cosmetic products. As a result of this, in October 2019, CTFA engaged with the Poisons Information Centre, in order to gain a better understanding of the expectations of the cosmetic industry.

The role of a Poison Centre is to assess the extent of the exposure and the risk of harm using their database of products and chemicals, and finally assist with the management of the patient. In order to build an accurate toxicological database of chemicals in such products, poison centres often rely on information from manufacturing companies. The Poisons Information Centre at the Red Cross Children’s Hospital has developed and currently maintains a poisons database named AfriTox. The AfriTox database

includes approximately 40 000 substances and 20 000 products loaded (Afritox, 2015).

From the engagement, CTFA communicated to members the expectations of the cosmetic industry, which is to supply information to poison centres so that the database contains all the possible information, and to facilitate the quick management of accidental ingestion.

It was found that particular importance is placed on companies with high risk products, such as: toners, nail products, hair dyes and relaxers, and toothpastes.

CTFA will continue to engage with the Poisons Information Centre in an effort to update industry members on the potential risk of poisoning in the cosmetic industry. From a consumer safety perspective, it is important that as an industry we enable the centre to effectively manage accidentally poisoned patients through information supplied by industry members.



HALAAL CERTIFICATION FOR COSMETIC PRODUCTS

In 2019, in light of a global trend of Halaal certification for food, medicines and even cosmetics, CTFA engaged with the South African National Halaal Authority (SANHA) in order to understand the audit process for members who would like to make this claim.

The word Halaal is an Arabic word translated to “permissible” or “allowed”, and is most often used in the food industry to denote that a particular food product or restaurant is compliant with Islamic requirements. As cosmetics are applied and sometimes absorbed into the skin, it is important to the Halaal-conscious consumer that these products undergo a similar evaluation to food products.

The CTFA had the opportunity to engage with the South African National Halaal Authority (SANHA), which is a regulatory body operating in South Africa. Being a founding member of the World Halaal Council, exporting products to certain countries, with a SANHA certification, may negate the need for further auditing in the export country.

In order to qualify to use the logo that signifies Halaal certification, the applicant company must submit a full ingredient specification. The presence of certain substances on the ingredient listing can automatically disqualify a cosmetic from continuing to the audit phase of Halaal certification. These are namely: pork and pork derivatives; alcohol; insects and insect derivatives; and human derivatives such as blood. During the audit process, aspects of hygiene and cross-contamination will be assessed at the site of manufacture.

A dietary and lifestyle requirement such as this one often demands research and consumer consciousness on the part of the consumer. Having a recognizable logo on products makes for easy identification of Halaal certified products, and is often the first port of call for a consumer deliberating on which product to purchase. The impact of such an evaluation may also extend to non-Islamic consumers, who wish to make an informed choice and often feel that such an evaluation process provides assurance of religious belief and safety.

CTFA will continue to engage with other Halaal bodies, in order to keep updated on the requirements of Halaal audit

process, and keep members informed of how to obtain a logo of their choosing.

NATIONAL DEPARTMENT OF HEALTH (NDoH)

As the industry has been made aware, the National Department of Health (NDoH) published the redraft of the Regulations relating to Labelling, Advertising and Composition of Cosmetics, R.1469, December 2017. Upon further engagement with NDoH in 2019, CTFA was made aware that no promulgation date has been set. Due to structural changes at NDoH and at SAHPRA, the responsibility of cosmetics has not yet been determined. In 2020, CTFA will continue to engage with DoH in order to keep updated on plans of promulgation, as well as further details on the structural plans within NDoH to accommodate for cosmetic enforcement.

ADVERTISING REGULATORY BOARD

The Advertising Code of Practice Appendix B Cosmetic code was updated in 2019. This was made available to members on CTFA's website. A 2020 update will be submitted ahead of the July 2020 submission deadline. Industry was also made aware of the upcoming changes that will be implemented in September 2021 and the industry has been urged to prepare for the change in terms of “free-from” claims and “hypoallergenic claims”

DEPARTMENT OF ENVIRONMENT, FORESTRY & FISHERIES (DEFF)

Industry Waste Management Plans (IWMP)

On 3 December 2019 the Minister published National Environmental Management: Waste Act 2008 (Act no. 59 of 2008), Consultation on the Draft Revised and updated National Waste Management Strategy, R. 1561, Gazette no. 42879, for public comment. CTFA invited the industry to forward comments.

The 3rd National Waste Management Strategy followed the Plastics Colloquium, attended by CTFA, which was hosted by Department of Environment, Forestry and Fisheries (DEFF), on the 21st and 22nd of November at the Birchwood Hotel and Conference Centre in Boksburg. The event was attended by various members of the government, media,

industry representatives, and civil society. The Colloquium aimed to gather relevant people to exhibit innovative ideas on reducing and recycling plastic waste and to hold discussions and eventually set objectives to address the current problem of plastic waste in South Africa.

Waste management continues to be an important issue across industries, with each industry experiencing unique challenges. Relevant to the cosmetic industry is that special attention must be paid to product design, particularly in the cosmetic industry where the aesthetics of the packaging is often important to the consumer. However, the recyclability of the material requires due consideration, if we are to subscribe to a reduced waste strategy encouraged by Government.

The South African Initiative to end Plastic Waste in the environment previously identified four areas that need to be addressed (Plastics SA, 2019):

- a) Infrastructure development to collect and manage waste and increase recycling.
- b) Innovation to advance and scale new technologies that make recycling and recovering plastics easier and create value from all post-use plastics.
- c) Education and engagement of governments, businesses, and communities to mobilize action.
- d) Clean-up of concentrated areas of plastic waste already in the environment, particularly the major conduits of waste, like rivers, that carry land-based plastic waste to the sea.

The two-day Colloquium provided a platform for various industries to engage on waste management plans required in various industries and the responsibilities that various stakeholders have in the value chain.

CTFA COMPENDIUM UPDATES

The CTFA Cosmetic Compendium (Bridging the Gap Compendium) continues to be a reference document for the cosmetic industry whilst in its self-regulatory status. In order to keep the industry abreast with global changes CTFA strives to prepare the cosmetic industry for upcoming changes and their impact through updates which are discussed at the technical committee and communicated to the industry.



Minister Barbara Creecy at the Plastic Colloquium – November 2019



GMP training at CTFA offices.



Chemin-Mazangani SME workshop - May 2019.

TECHNICAL COMMITTEE (TC)

A quarterly Technical Committee meeting is chaired by CTFA's Head: Policy and Regulatory Affairs. The membership of the committee is constituted of technical experts from various member companies with the primary aim to ensure that decisions and actions agreed on regulatory or technical matters is to the benefit of the industry in its entirety. In 2019, this committee discussed and reached resolutions and paved the way forward on many matters concerning the industry. The various work groups which form sub-committees have participated in projects on the cosmetic advertising code; sun care product test methods; the hair care standard and cosmetic regulatory review matters.

At the end of 2019, CTFA acknowledged the TC members at our year-end function for their valued and continued support in enabling and maintaining a responsible cosmetic industry thus proving assurance of safe and efficacious products to the local and international markets.

TECHNICAL COMMITTEE 2019

Amka Products	Grazyna Chmielowska & Heidi De Oliveira
Amway	Allen Frank
Avon Justine	Pokazi Tetyana
Beiersdorf	Njabulo Mthethwa
Botanichem	Robyn Brown
Colgate-Palmolive	Babalwa Mantyi & Sikelelwa Gogo
Cosmetic solutions	John Knowlton
Costech	Wayne Van Wyk
Croda	Christien Gordon
Givaudan	Arshdeep Joshi & Nila Ragha
Johnson & Johnson	Nontuthulezo Makele & Keshnee Dhanraj
L'Oreal	Christine Charlton & Percy Sibanda
Marico International	Ashika Sireeparsad
Pick and Pay	Reema Maharaj
Pierre-Fabre	Anel Jansen Van Vuuren
Procter & Gamble	Nhlanhla Tshabalala
Revlon	Martin Mason
SMU-Sefako Makgatho University	Marlize Lategan
Unilever	Zama Duma



Member breakfast - November 2019.
Technical Committee team being thanked for their dedication to CTFA.

CTFA MEMBERSHIP

The 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.

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 (SABS), Department of Health (DoH), Department of Trade and Industry (DTI), Department of Environment, Forestry & Fisheries (DEFF) and international accredited bodies to ensure alignment for a responsible industry in South Africa.

The CTFA advocates for international harmonisation and recognition and has, since 2000, been a member of Cosmetics Europe (CE), 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 Environment, Forestry & Fisheries (DEFF) on Bioprospecting, 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 the Advertising Regulatory Board 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 regards to matters affecting the interests of the industry.

- The CTFA is a member of Cosmetics Europe and has representation on the ISO Cosmetic Committees.
- The CTFA assists exporters with the issuing of Certificates of Free Sale.
- The CTFA Advises SMEs regarding compliance.
- The CTFA extends invitations to Members for workshops, seminars, information and training sessions.
- 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 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

HOW DO I BECOME A MEMBER?

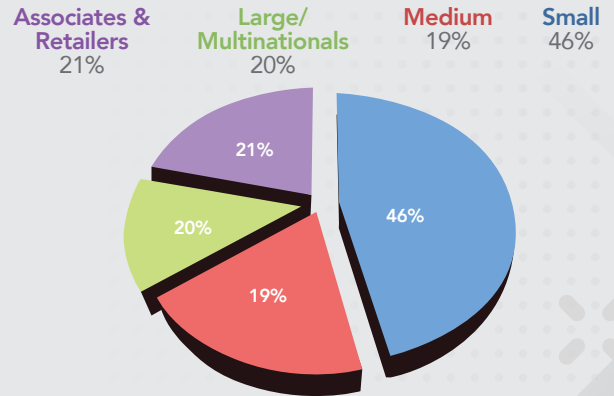
Simply contact us and we will set up a free consultation at our offices, so that we can understand your particular business and product range/ranges. Should there be a perceived benefit for both parties, we would then encourage you to become a Member and assist you to comply with all regulations.

ENQUIRIES TO:

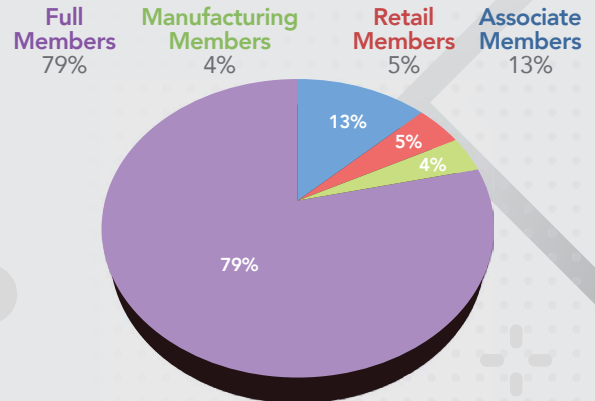
Email – info@ctfa.co.za

Website – www.ctfa.co.za

CTFA MEMBERSHIP BY SIZE OF COMPANIES



2019 MEMBER CATEGORIES



THE CTFA TEAM

Dershana Jackson, Yashmay Gordhon, Charlene Lynch, Samantha Lotkin and Adelia Pimentel



FINANCIAL REPORT

Lloyd Viljoen | *Accounting Services*

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

The year under review was a financially successful year for the CTFA, and with sound financial management, the Association met the approved 2019 budget and reported a surplus. This was mainly due to new members joining and training sessions held to benefit members and non-members. The result of initiating the training provided by the Association, created more awareness for existing members and great motivation for new members to become a part of the Association.

Income was generated mainly from membership, which grew by 2% over the prior year. The growth is also due to more members joining the Association. A total of 28 new members joined CTFA bringing the total membership up to 153 companies. Interest received from investments also generated a 30% increase versus the previous year. This boded well for the Association in closing the year above budget and in a surplus of R1 414 280.

Operating expenses reflected a 6% increase over the prior year, totalling R4 837 359 for 2019 versus R4 530 618 for the 2018 financial year. The increase mainly highlights the preparation of projects such as the Cosmetics Summit that

was planned for May 2020 and consultant fees for various industry projects. Overall, expenses were well maintained by the Association.

It is always good to provide support back to our members with an early settlement offer and a total of 71 members enjoyed this refund benefit during the 2019 financial year.

Despite some challenges faced during the year, 2019 was a year of growth, membership introspection and great teamwork and the CTFA will continue investing back into the organisation for the benefit of 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.



LOOK GOOD FEEL BETTER

Christie Fraser | Programme Director

It all started with one physician – one who wanted to make his depressed cancer patient feel better whilst suffering dramatic appearance side effects. In 1987 he approached Personal Care Council President Ed Kavanaugh. Some cosmetics and a cosmetologist provided a makeover that transformed not only her look but her outlook.

The patient felt happier, less burdened and laughed for the first time in weeks.

With such a profound result, the Personal Care Products Council recognized the opportunity for its industry to help more patients to maintain their confidence and self-esteem and that is how the program, dubbed **Look Good Feel Better** launched in 1989 in Washington DC.

Doctors and patients alike value the program and one survivor who attended a workshop in South Africa said: "Today gave me a reason to live".

During my own cancer journey, long before working for **Look Good Feel Better**, I attended one of their workshops. I walked out of there, liberated, feeling beautiful and even took my wig off for good.

Standing in a retail pharmacy recently, I observed how a woman, clearly struggling with hair loss, wearing a scarf around her head, was frantically looking through every cosmetic item. I understood her quest for reaching out to something that could make her feel better and less vulnerable.....

We all know the term: "The Lipstick Effect", first observed during the Great Depression, which saw an unexpected boom in the sale of cosmetics in the four-year period between 1929 and 1933. Also post 9/11, lipstick sales in the United States almost doubled.

It is not shallow; it is testimony to how looking good can make you feel better.

Look Good Feel Better is the only International cancer support charity, dedicated to teaching cancer patients how to manage the appearance-related side-effects caused by cancer treatment. Women and men participate in practical workshop demonstrations covering skin care, make-up and head wear, leaving them empowered and ready to face their cancer diagnosis with confidence.

Our workshops cover skincare techniques to address common side-effects like dryness and sun sensitivity; makeup tips to help correct and conceal redness, swollenness, pigmentation and dark circles as well as techniques for drawing on eyebrows; and advice on headwear including scarf styling and wig selection.

Each participant receives complimentary skincare and make-up products donated by the cosmetic industry, and an instruction booklet to use as tools for application throughout the workshop and for continued use in their own homes.

Participants also benefit from the opportunity to meet others in a similar situation. During the workshops, friendships and additional support networks are formed that can be invaluable during diagnosis and treatment.

Look Good Feel Better workshops are open for anyone undergoing treatment for any sort of cancer. In South Africa, 45 534 people have participated in the program, with 4178 workshops since the inception of the program.

The program is managed by a small team of staff and relies on the support of 270 volunteers who give their time and expertise to help deliver the workshops across South Africa. We owe immense gratitude to our volunteers for their support and commitment.

With no government funding, **Look Good Feel Better** relies heavily on the generosity of corporate and community supporters to run this program free-of-charge.

We have 3 major fundraisers each year. Our Johannesburg Golf day at Randpark Golf Club and the KZN Golf day at Zimbali were once again a highlight in the golfer's calendar. Another annual fundraising event is our Port Elizabeth Cancer High Tea that was held in October with 360 ladies attending this spectacular event.

OUR CURRENT FOUNDER MEMBERS ARE:

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

Our Active members are Johnson & Johnson, Evolabs, Prestige Cosmetics, Black like Me, Twincare, Sh'zen, African Exstracts, Modern Hair & Beauty, NCP Alcohols and Wessons Therapeutics. Vitaderm is an Associate Member and Isabella Garcia a Platinum Member.

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

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

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



"At times our own light goes out and is rekindled by a spark from another person. Each of us has cause to think with deep gratitude of those who have lighted the flame within us."

- Albert Schweitzer-



PLEASE HELP US TO LIGHT THE FLAME IN AS MANY CANCER PATIENTS AS WE POSSIBLY CAN...

FINANCIALS

COSMETIC TOILETRY AND FRAGRANCE ASSOCIATION OF SOUTH AFRICA

Annual Financial Statements for the year ended 31 December 2019 | Voluntary association not for gain

INDEX

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

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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 Suite 2 & 3 Hurlingham Manor Sandton 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 Registered Auditors Chartered Accountants (S.A.) Registered Auditors
Preparer	The annual financial statements were independently compiled by: B.C. Graham C.A. (S.A.)

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 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 he 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 4 to 5.

The annual financial statements set out on pages 7 to 21, and the supplementary information set out on pages 22 to 24 which have been prepared on the going concern basis, were approved by the executive council and were signed on 2 April 2020.



G. Antonie (Chairperson)



M.A.L. Pimentel (Executive)

INDEPENDENT AUDITOR'S 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 2019, 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 Cosmetic Toiletry and Fragrance Association of South Africa as at 31 December 2019, 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.

1.1 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

1.2 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.

1.3 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 Registered Auditors

The logo for Watermans, featuring the word "Watermans" in a cursive script font, positioned above a horizontal line.

Watermans
Per: T. Aarons C.A. (S.A.)
Partner
Registered Auditors

Top Floor, 14 Eglin Road, Sunninghill,
Sandton, 2191.

EXECUTIVE COUNCIL'S REPORT

The executive council presents his report for the year ended 31 December 2019.

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

The following changes took place in the executive council during the year:

Resignations:

M. Hobbs - Indigo Brands (Pty) Ltd
H. Motan - Revlon South Africa (Pty) Ltd
I. du Toit - Avon Justine (Pty) Ltd

Appointments:

G. Antoine - Chairperson
T. Gordon-Bennet
M. Hukamdad
W. Thetard

5. Independent Auditors

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

STATEMENT OF FINANCIAL POSITION

FIGURES IN R	NOTES	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	4	220,748	274,941
Other financial assets	5	-	4,655,301
Total non-current assets		220,748	4,930,242
Current assets			
Trade and other receivables	6	206,784	296,138
Cash and cash equivalents	7	9,750,153	3,279,083
Total current assets		9,956,937	3,575,221
Total assets		10,177,685	8,505,463
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		9,661,935	8,310,679
Liabilities			
Current liabilities			
Provisions	9	80,876	26,118
Trade and other payables	10	50,056	33,058
Other financial liabilities	11	60,149	-
Deferred income	12	320,906	132,039
Bank overdraft	7	3,763	3,569
Total current liabilities		515,750	194,784
Total liabilities		515,750	194,784
Total equity and liabilities		10,177,685	8,505,463

STATEMENT OF COMPREHENSIVE INCOME

FIGURES IN R	NOTES	2019	2018
Revenue	13	5,395,077	5,310,076
Cost of sales		<u>(78,996)</u>	<u>(60,585)</u>
Gross surplus		5,316,081	5,249,491
Other income	14	149,633	82,981
Other expenses		(4,900,369)	(4,319,523)
Other gains / (losses)	16	<u>229,750</u>	<u>(211,094)</u>
Surplus from operating activities		795,095	801,855
Finance income	17	556,175	384,983
Interest Paid		<u>(14)</u>	<u>-</u>
Surplus for the year		<u>1,351,256</u>	<u>1,186,838</u>

STATEMENT OF CHANGES IN FUNDS

FIGURES IN R

	Accumulated Surplus	Total
Balance at 1 January 2018	7,123,841	7,123,841
Changes in funds		
Surplus for the year	<u>1,186,838</u>	<u>1,186,838</u>
Balance at 31 December 2018	<u>8,310,679</u>	<u>8,310,679</u>
Balance at 1 January 2019	8,310,679	8,310,679
Changes in funds		
Surplus for the year	<u>1,351,256</u>	<u>1,351,256</u>
Balance at 31 December 2019	<u>9,661,935</u>	<u>9,661,935</u>

STATEMENT OF CASH FLOWS

FIGURES IN R

NOTES

2019

2018

Cash flows from operations

Surplus for the year

1,351,256 1,186,838

Adjustments to reconcile surplus

Finance income	(556,175)	(384,983)
Adjustments for finance costs	14	-
Decrease in trade receivables	(15,229)	(86)
Increase in other operating receivables	94,591	(253,583)
Adjustments for increase in trade accounts payable	14,174	-
(Decrease) / increase in other operating payables	2,824	(52,188)
Decrease in deferred income	188,867	(32,586)
Depreciation and amortisation expense	62,472	40,709
Impairment losses and reversal of impairment losses recognised in surplus or deficit	10,047	-
Provisions	54,758	(21,174)
Fair value gains and losses	(229,695)	196,489
Gains and losses on foreign exchange realised in surplus or deficit	(55)	86
Losses on disposal of non-current assets	-	14,433

Total adjustments to reconcile surplus

(373,407) (492,883)

Net cash flows from operations

977,849 693,955

Interest paid

(14) -

Interest received

551,424 366,168

Net cash flows from operating activities

1,529,259 1,060,123

Cash flows from / (used in) investing activities

Proceeds from sales of property, plant and equipment	-	6,807
Purchase of property, plant and equipment	(8,280)	(259,386)
Proceeds from sales of investment property	-	(196,489)
Purchase of other financial assets	4,884,997	18,014
Dividends received	4,751	18,815
Cash flows from / (used in) investing activities	4,881,468	(412,239)

Cash flows from financing activities

Proceeds from other financial liabilities 60,149 -

Cash flows from financing activities

60,149 -

Net increase in cash and cash equivalents

6,470,876 647,884

Cash and cash equivalents at beginning of the year

3,275,514 2,627,630

Cash and cash equivalents at end of the year

7 9,746,390 3,275,514

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. 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.

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%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains / (losses)' in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FIGURES IN R

4.2 Balances at year end and movements for the year

	Fixtures and Fittings	Office Equipment	Computer Equipment	Total
Reconciliation for the year ended 31 December 2019				
Balance at 1 January 2019				
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

Movements for the year ended 31 December 2019

Additions	-	8,280	-	8,280
Depreciation	(39,147)	(1,580)	(21,746)	(62,473)
Property, plant and equipment at end of year	182,713	10,413	27,622	220,748

Closing balance at 31 December 2019

At cost	234,834	18,762	127,499	381,095
Accumulated depreciation	(52,121)	(8,349)	(99,877)	(160,347)
Net book value	182,713	10,413	27,622	220,748

Reconciliation for the year ended 31 December 2018

	Fixtures and Fittings	Office Equipment	Computer Equipment	Total
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

FIGURES IN R

5. Other financial assets

5.1 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.

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 2019			
Trade and other receivables excluding non-financial assets (Note 6)	-	158,719	158,719
Cash and cash equivalents (Note 7)	-	9,750,153	9,750,153
	-	9,908,872	9,908,872
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

NOTES TO THE FINANCIAL STATEMENTS

FIGURES IN R

2019

2018

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.

6.2 Trade and other receivables comprise

Trade receivables	16,792	-
Trade receivables impairment	(11,555)	-
Trade receivables - net	5,237	-
Prepaid expenses	7,953	-
Deposits	153,492	153,492
Value added tax	40,102	142,646
Total receivables	206,784	296,138

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

Prepaid expenses	7,953	-
Value added tax	40,102	142,646
Total non-financial instruments included in trade and other receivables	48,055	142,646
Total trade and other receivables excluding non-financial assets included in trade and other receivables	158,729	153,492
Total trade and other receivables	206,784	296,138

7. Cash and cash equivalents

7.1 Cash and cash equivalents comprise:

Cash		
Cash on hand	-	561
Bank Balances	9,750,153	3,278,522
Total cash	9,750,153	3,279,083
Bank overdrafts	(3,763)	(3,569)
Net cash and cash equivalents	9,746,390	3,275,514

NOTES TO THE FINANCIAL STATEMENTS

FIGURES IN R

2019

2018

7.2 Detail of cash and cash equivalent balances

Bank balances

Current account	234,008	136,120
Salaries account	7,137	3,134
Money market fund	845,916	3,139,268
48Hour Investment Account	8,663,092	-
Total	9,750,153	3,278,522

Overdrawn bank balances

Credit card	(3,763)	(3,569)
Cash on hand	-	561

8. Investments

8.1 Investments comprise the following balances

Stanlib Cautious Fund Investments	-	4,636,044
Liberty Collective Investments	-	19,257
	-	4,655,301

The investment was sold during the year. The proceeds were transferred to the FNB 48 hour investment account.

9. Provisions

9.1 Accounting policies

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.

9.2 Provisions comprise:

Leave pay provision	80,876	26,118
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NOTES TO THE FINANCIAL STATEMENTS

FIGURES IN R

2019

2018

9.3 Provisions for employee benefits

	<u>Leave Pay Provision</u>	<u>Total</u>
Balance at 1 January 2019	26,118	26,118
Additions	80,876	80,876
Utilised during the year	(26,118)	(26,118)
Balance at 31 December 2019	80,876	80,876

	<u>Leave Pay Provision</u>	<u>Total</u>
Balance at 1 January 2018	47,292	47,292
Additions	65,647	65,647
Utilised during the year	(86,821)	(86,821)
Balance at 31 December 2018	26,118	26,118

10. Trade and other payables

10.1 Accounting policies

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

10.2 Trade and other payables comprise

Trade creditors	14,174	-
COIDA accrual	7,113	6,307
Other accruals	28,769	26,751
Total trade and other payables	50,056	33,058

10.3 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

50,056	33,058
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NOTES TO THE FINANCIAL STATEMENTS

FIGURES IN R

2019

2018

11. Other financial liabilities . .

11.1 Carrying amount of other financial liabilities by category

	Debt Instruments at Amortised Cost	Total
Year ended 31 December 2019		
Operating lease payable	60,149	60,149
Trade and other payables excluding non-financial liabilities (Note 10)	50,056	50,056
Bank overdraft (Note 7)	3,763	3,763
	113,968	113,968

Year ended 31 December 2018

Trade and other payables excluding non-financial liabilities (Note 10)	33,058	33,058
Bank overdraft (Note 7)	3,569	3,569
	36,627	36,627

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.

12.2 Deferred income comprise:

Annual memberships fees received in advance	148,701	132,039
Summit income received in advance	172,205	-
	320,906	132,039

NOTES TO THE FINANCIAL STATEMENTS

FIGURES IN R

2019

2018

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.

13.2 Revenue comprises:

Fees received	5,395,077	5,310,076
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14. Other income

14.1 Other income comprises:

Debriefing sessions	-	6,300
Certificate of free sale	1,900	1,900
Training and workshops	117,633	-
Ad Valorem	2,250	-
Bad debts recovered	-	54,078
Artwork reviews	27,850	20,703
Total other income	149,633	82,981

NOTES TO THE FINANCIAL STATEMENTS

FIGURES IN R

2019

2018

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	2,551,324	1,875,865
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16. Other gains and losses

16.1 Other gains and losses comprise

Gain or loss on disposal of assets	-	(14,519)
Gain or loss on foreign exchange differences	55	(86)
Fair value gain on investment	229,695	(196,489)
Total other gains and losses	229,750	(211,094)

17. Finance income

17.1 Finance income comprises

Investment income	511,198	206,422
Dividends received - Investment	4,751	18,815
Interest received - Investment	40,226	159,746
Total finance income	556,175	384,983

NOTES TO THE FINANCIAL STATEMENTS

FIGURES IN R

18. Income taxation expense

No provision has been made for the 2019 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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