

Annual Report 2005



*The Cosmetic, Toiletry & Fragrance Association of South Africa
is the industry's voice committed to maintaining the high
quality and safety of cosmetic products.*

*By guiding our members on the Self-regulatory Codes of Practice the
CTFA provides an environment that allows the South African
cosmetic industry to flourish*

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Executive Chairman's Report

Russell Pollard

2005 was a year of transition for the CTFA, driven by the Executive's strategy to raise the profile of the Association and place it on a more business based platform. The implementation of this strategy resulted in the Association renting appropriate offices in Emerald Office Park, in Randpark Ridge. This move took place in May and was effected with only minimal disruption of the day to day operations. The offices and boardroom are now used for numerous industry meetings, workshops and smaller functions.

Ruth Sanderson retired in August after 11 years of dedicated and dynamic leadership of the Association. Ruth took the CTFA from inception in 1994 with 12 members to the strong Association it is today. This was achieved by selling the Association on what it could do for the Industry and then delivering against that promise. Her drive and tenacity ensured that all obstacles placed in the way of the members were dealt with in a professional and expeditious manner. One of the Association's major achievements under Ruth's guidance was the long and hard battle for the reduction of Ad Valorem. Ruth will be missed by her colleagues and Association members and we wish her everything of the best for her retirement in Durban. Pam Dillon, was elected as the new Executive Director.

The BEE Cosmetics initiative continued through 2005 with the aim of establishing an appropriate Partnership document for our Industry. A Steering Committee was formed which was well representative of our membership. The Steering Committee held numerous meetings to guide the development process. In addition, six sector sub-committees were formed and these sub-committees held bi-weekly meetings. Joint meetings of all the committees were held every six weeks. The sub-committees were tasked with researching their sector portfolios, and compiling a recommended score-card weighting to be included in the Industry BEE Plan. This was not an easy task as any changes to the recommended weightings specified in the Codes of Good Practice had to be supported with detailed reasons and motivations. The sub-committees operated exceptionally effectively and final drafts from each sub-committee were due to be presented at a joint committee meeting in October. However, after consultation with a representative of the Department of Trade and Industry, the Association resolved to study the 2nd Phase of the Codes before taking the process any further forward. The 2nd Phase of the Codes were released in December and further consultations took place with the DTI representative. The Association was advised that, at this stage, there were only 2 options that would be acceptable to the DTI – the submission of a formal industry Charter or compliance with the final Codes of Practice. The Association had, at all times, been working towards a Partnership document and not a formal Charter. This approach was based on consultations with the Deputy Director General (BEE), of the DTI, in June 2003. The Association accordingly resolved that it would not pursue the Charter option and would recommend that members comply with the provisions of the Codes. The Association would like to extend its special thanks to L'Oréal for making their training room available for the joint meetings.

As the problem of illicit goods continues to escalate, the Association resolved that the industry needs to group together under the banner of the CTFA to tackle these problems. On the 15 November 2005 the CTFA hosted a successful MD's Forum, where a presentation was given on the current situation in respect of counterfeit goods and efforts required to suppress this problem. The presentation was given by Mr. David Willis, who has carried out extensive work throughout Africa and Europe for Colgate-Palmolive. During the ensuing discussion it became clear that many CTFA member companies were being adversely affected by the presence of counterfeit goods in many markets. While individual companies were taking action, there was no evidence of a joint approach to the problem. As a result of this, members are incurring expenditure for the same services and actions. Under the guidance of Dave Willis, the CTFA will form a self funding sub-association to drive the process forward.

The Look Good Feel Better Foundation has progressed in 2005, from an introductory phase to becoming more stabilised and poised for expansion. Under the technical guidance of Jill Gardiner, the CTFA continued to give valuable advice to members. Financially the Association continues to be strong.

All other objectives set by the Exco were achieved during the year. I would like to express my appreciation for the work carried out by the CTFA staff to ensure that all objectives were met. With the addition of a receptionist to the team, they have ensured that the CTFA has developed into a professional and pro-active Association. As we go forward into the next year the Executive Council will once again set objectives giving the team a clear direction and purpose.

In closing I would like to thank all CTFA members and the Exco. members for playing a vital role in contributing to the CTFA's efforts in advancing the goals of the industry.

The Cosmetic Toiletry and Fragrance Association of South Africa

The CTFA represents companies in the cosmetic and personal care industry. The Association was formed in 1994 when it became clear that no matter how strong individual companies were, they needed a united force for stronger effect if they were to achieve their goals.

Full CTFA Members are manufacturers and distributors of finished cosmetic and personal care products; Associate Members are suppliers of raw materials, ingredients, packaging and services, and our Retail Membership is for large retail outlets with their own manufactured brand. Members play a vital role in ensuring the success and advancement of the cosmetic industry through developing new products and scientific procedures, and abiding by the South African Self-regulatory system.

Communication is the key to continued success of the cosmetics industry in South Africa. The CTFA is the public voice of a dynamic, well informed and responsible industry. By seeking new projects and opportunities and strengthening existing alliances we promote the value of the industry and the self-regulatory standards our members abide by. We need to negotiate actively with government departments to ensure that standards and regulations developed are compatible with industry practice and do not impose additional burdens on product development and marketing.

Review of the year

Pam Dillon – Executive Director CTFA

2005 has been a year of many changes for the CTFA. In May, prior to retiring Ruth Sanderson moved the CTFA Offices from her home to Emerald Office Park, in Randpark Ridge. These new, more spacious offices have taken the CTFA to a more professional level. The board room has been extensively used over the year for meetings, workshops, MD's Forums and training. Ruth retired in August after 11 years of service to the CTFA, and moved to Hillcrest, Durban. Ruth became an industry icon during her years of service to the CTFA.

Pam Dillon, was appointed by CTFA Executive Management to take over the role of Executive Director. Her leading objectives are to raise the profile of the CTFA and to ensure members receive full benefit from their membership of the Association.

Jill Gardiner has continued to prove her worth to the CTFA and the cosmetic industry, advising and guiding members on all technical and regulatory issues and negotiating with the government on our members' behalf. In October 2005 Candice Wilson was promoted to Executive Assistant, in addition to assisting both Pam & Jill she will become more involved in accounts/debtors and assist with seminars and functions. Our new receptionist Dorah Mokgara was then brought on board. Elmarie Groeneveld continues as CTFA's accountant, and is assisting Candice with training on Pastel invoicing & debtors.

It has been an interesting year for BEE Cosmetics, administered by the CTFA. Following on the formation of the six sector sub-committees bi-weekly meetings were held to research and guide the process. After extensive dedication and hard work the sub-committees were ready to present their recommended scorecard weightings late in October 2005. Unfortunately after a meeting at the CTFA offices with Jeffery Ndumo, from the dti, the process was placed on hold, pending the release of the 2nd Phase of the Codes of Good Practice. During initial meetings with Lionel October of the dti, at the inception of the BEE Cosmetics process in 2003, the industry were advised to look at a BEE "Plan". However following the last meeting with Jeffery Ndumo, it was clearly stated that the dti would not accept any deviation from the Codes of Practice, unless a formal Charter was submitted and gazetted. Pam Dillon has been extensively involved with the BEE process attending meetings with the dti, and working closely with the sub-committees and consultants.

It has been an informative year with the 7th Amendment Workshop, which attracted 84 delegates, culminating in an extremely successful day, and MD's Forums on advertising discrepancies and illicit goods. The illicit goods forum was quite an eye opener with videos shown of counterfeit products at markets up in Africa that the MD's attending were not even aware were being produced. The MD's Forums have continued to be an extremely good networking platform for leading CEO's and Managing Directors. In this mad rat race the forums give senior MD's the opportunity for discussions of industry issues in an informal arena.

66 Certificates of Free Sale were issued for members in 2005. These certificates are required by governments of certain countries that need assurance that products exported from South Africa may be freely marketed within the Republic of South Africa in accordance with the South African Regulations. They specify that the products are manufactured under Good Manufacturing Practices for cosmetics acceptable to the South African authorities and do not contain any raw materials not permitted in South Africa, thereby fully complying with the requirements of the South African CTFA Cosmetic Compendium.

The Look Good...Feel Better Foundation run under the auspices of the CTFA flourished in 2005. Over 230 women in active cancer treatment, suffering from the side effects of chemotherapy and radiation, were treated to makeovers at workshops in hospitals, clinics, hospices and interim homes. They are guided through a 12 step skincare and make-up regime and have great fun with the colour cosmetics. The patients arrive at the workshops feeling unwell and self-conscious, and leave laughing and joking, and once again feeling good about themselves. Our sincere thanks go to all the CTFA members who have enrolled as members. Their financial support and products donated have been invaluable to the success of the Foundation. The skincare and colour cosmetic products our LGFB members supply are full size products, not samples, returns or obsolete stock. We urgently need more CTFA members to embrace the Foundation and join as members.

EXECUTIVE COUNCIL

Russell Pollard has continued to be Chairman for the Association, and we truly appreciate his dedication, expertise and support of the CTFA. Russell is the Legal Director of Colgate Palmolive and has been an active member of the Executive Council for many years. Scott Maddock has also continued to be an invaluable member of the Executive Management.

2005 Executive Council:

Russell Pollard	Colgate	Chairman
Scott Maddock	Revlon	Vice-Chairman
Maria Laughland	Ladine	
Susan O'Keeffe	Indigo Cosmetics	
Dave Popplewell	Reckitt Benckiser	
Mike Rigby	Prime Products	
Heetesh Bhoola	Unilever SA	
Chris Stofberg	Wella	
Dave St Quintin	L'Oreal	

Unfortunately we said goodbye to Robert Lunt who has been an active member with many years of service to council, in addition to standing as Chairman from 2000 to 2003. We thank Sue O'Keeffe, who replaced Robert as CEO of Indigo Cosmetics, for stepping in and taking his place on council.

The role of the Executive Council has been clearly defined emphasising a more business orientated focus:

- 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 level
- To attend government meetings when necessary

The industry is indeed fortunate to have so many dedicated senior industry executives who are prepared to give up their valuable time to steer the CTFA and the industry forward.

The Executive Council agreed on the following strategies for 2005:

1. New management team
2. BEE
3. Extend the communication between senior MDs
4. Assess feasibility of merging all related Trade Associations
5. Educating the consumer
6. Continuing government liaison
7. Support Look Good... Feel Better

All objectives were achieved.

Members and Revenue

Elmarie Groeneveld – Accountant CTFA

Membership of the CTFA continues to be very stable. For the past 3 years we have endeavored to keep the annual increase in membership fees to the minimum - 5% annually. If members paid before the 1st March they received a 2.5% early settlement discount. 58 Members took up this offer, most of whom were our highest category members.

In financial terms 2005 was another successful year, with the Association's finances continuing to be carefully managed. There was an after-tax surplus of R69 830 for the year. Subscriptions increased by 14%. We had 19 new members joining the CTFA.

Total income and total expenditure, 2004 versus 2005 are given in the following table:

	2004	2005
Income	R1 710 009	R1 956 050
Expenditure	R1 453 136	R1 886 220

The full audited financial statement is issued as a separate document at the end of this Annual Report.

Auditors Graham & Company Inc., Chartered Accountants

Technical Update

Jill Gardiner

“TECHNICALLY SPEAKING”

Literally all the new CTFA memberships are derived from technical consultations. Most prospective members approach the Association because of a need to understand the South African self-regulatory system for cosmetics. Once they realise the huge role that CTFA has to play in assisting them with labelling, suitability of ingredients and packaging claims they are hooked.

Our year kicked off with the 7th Amendment Workshop which attracted 84 delegates and laid out the requirements for the listing of the “26 allergens” on cosmetic products placed on shelf from December 2006. This will enhance the ingredient listing, which has been a requirement since February 2004, as the consumer will then be able to make a further refined and informed choice.

The Sunscreen WG embraced a project to look at the outcomes of the International Sun Protection Group’s work to see where South Africa could agree and assist the cause for International Harmonisation. A number of issues were addressed and looked at in an open and constructive manner enabling CTFA SA to take further consensus to the international forum. This work is on-going and has proved fruitful in that CTFA USA has now joined the discussions and is seeking to adopt the International SPF Test Method. This will then mean that we have a harmonised International SPF Method for Europe, South Africa, Japan and USA. This is extremely important to global players, as the more countries we get on board the less the barriers to trade will become.

The SABS published the amended Sunscreen Standard, SANS 1557:2005, in November 2005. This document however does not reflect any of the issues that are currently under discussion at the International Sun Protection Group.

The Patch Testing WG continued their work from 2004 in a quest to find a suitable patch testing method which could be used for claim substantiation. After long and hard deliberation the WG members decided to dissolve this WG as no clear cut testing procedures and interpretation of results could be reached, as these differ all over the world. Based on this it would not be ethical to let anyone other than a competent laboratory, whether in-house or outsourced, conduct these in-vivo patch tests. Hence in the interest of safety, there is not a place for such a document at this point in time. All WG members did agree that they would strive to make responsible and ethical claims based on tests performed and results obtained.

Work with ISO T/C 217 has continued during 2005 with South Africa offering continued input and comment to the Microbiological, Packaging & Labelling and the Good Manufacturing documents that are currently being developed. The 6th ISO Plenary Meeting will only be held in February 2006.

The Department of Health has proved a nightmare for the cosmetic industry during 2005. Representation has been made on behalf of the industry to try to obtain an exemption for cosmetics containing Sodium Hyaluronate/Hyaluronic acid in concentrations less than 0,3%. Although this is a commonly used moisturising ingredient in cosmetics, it unfortunately is also listed in Schedule 4 of the Medicine & Related Substances Act. This has caused Port Health Officials to impound cosmetic products containing these ingredients and demand that companies register such products as Complementary Medicines. These temporary registrations need to be done until such time as exemption can be obtained from the Medicine Control Council Scheduling Committee. Representation was first made in July 2005 and the issue was still unresolved as at year end.

CTFA will continue to strive for global harmonisation on cosmetic regulations and testing methods. Moving into 2006 the focus will be on different and renewed efforts to get the DOH to publish the cosmetic regulations. This will then clearly define the difference between cosmetics, complementary medicines and medicines.

Look Good...Feel Better Foundation

Margaret Hewson – National Co-ordinator

2005 recorded developments, changes and significant results for Look Good ...Feel Better, South Africa, one of sixteen countries worldwide to promote this unique programme.

Operated as a Non Profit Association, the LGFB Foundation is supported by members of the cosmetic industry under the auspices of the CTFA. The simple yet very effective programme offers two hour makeover workshops to women in active cancer treatment in oncology hospitals, clinics, hospices and interim homes.

Between January and August 2005, under Ruth Sanderson's leadership, 70 women suffering from the trauma of cancer treatment attended LGFB workshops held in three clinics and two hospices in Johannesburg and two clinics in Pretoria. 16 Volunteer Beauty Therapists and Helpers were trained at L'Oréal in March and three new companies pledged their support by becoming Members of LGFB.

The first LGFB Golf Day was held at Glendower Golf Club on 5 August. Again the cosmetic industry did us proud and the golfers received exceptional goody bags and prizes. Other supporting companies generously contributed and a profit of R83 096.50 was realised.

Following Ruth Sanderson's retirement, Margaret Hewson was appointed National Co-ordinator for LGFB in October 2005. During these last three months of the year a further 157 patients participated in workshops; four new clinics and an interim home in Soweto as well as one in Pretoria became involved in the programme. Four new CTFA Members were enrolled, two becoming Founder Members.

As part of our role out PR campaign, beauty editors were invited to a special workshop attended by eight patients from Sandton Oncology. The highly successful workshop was hosted by the Saxon, and sponsored by L'Oréal. The PR Value of Media Coverage received by the LGFB Programme in 2005 amounted to R462 611. Further exposure was gained by exhibiting at the Beauty Africa and Professional Beauty Exhibitions.

A pilot workshop, attended by eight patients was held at Groote Schuur, Cape Town, in November. Leigh Pollio, Public Relations Manager at Groote Schuur wrote the following: "I found the introductory workshop to be everything you promised and more. I experienced the participants' spirits virtually lifting in front of me. I must congratulate you and your team for all your efforts."

In October a further 25 Volunteer Beauty Therapists and Helpers were trained by Clarins and treated to a very special morning. In recognition of our Volunteers' dedication to LGFB, Lifestyle Nursery and the Silver Birch Restaurant hosted and sponsored a Volunteers' tea in December. Estée Lauder Companies, L'Oréal and Lifestyle Nursery generously donated very special gifts for 38 Volunteers.

It is projected that LGFB will be expanded to each of the main centres in South Africa during 2006 and 2007, commencing with Cape Town in February 2006. Strong focus needs to be placed on encouraging CTFA Member Companies not already involved to support this industry specific Corporate Social Investment Project, to ensure that LGFB continues to make a difference for women battling with cancer throughout South Africa.

"It is like a makeover for the spirit and that is a beautiful thing."

2005 Look Good...Feel Better Members

Founder Members

Avroy Shlain
Clarins
Colgate Palmolive
Elizabeth Arden
Environ Skincare
Estée Lauder Companies
Justine Avon
L'Oreal
Prime Products
Revlon
Unilever

Members

Black Like Me
Indigo Cosmetics
Johnson & Johnson
Scent Pac
SDV Pharmaceuticals
Sh'Zen
Union Swiss

Associate Members (non CTFA Members)

Fascination Wigs
Galderma

Additional LGFB Contributors/Sponsors

Baird Communications - Public Relations Services
Logo Print - All LGFB print material – brochures, posters, flyers etc.

BEE COSMETICS BLACK ECONOMIC EMPOWERMENT

Pam Dillon – CTFA

The BEE Cosmetics process of developing a unique BEE Agreement / Plan for the cosmetics industry was initiated in June 2003, with meetings and presentations involving industry members, the CTFA – Cosmetic, Toiletry & Fragrance Association & Lionel October, Deputy Director General BEE, of the dti.

The first working group meeting was held on the 17th August 2004, where a Steering Committee under the Chair of Herman Mashaba was formed, consisting of Managing Directors of leading stakeholders, Directors of the CTFA and a member from the dti, to guide the project and direct stakeholders.

Stakeholders / members in BEE Cosmetics were recognised as those companies in South Africa whose core business is the manufacture, distribution or importation of cosmetics, toiletry preparations or perfumery.

All stakeholders were requested to participate in the confidential Bizsolutions Survey, which asked questions relating to turnover, ownership profile, training and internships, social investment for historically disadvantaged and whether companies supported BEE enterprises. The final results were released to the steering and sub-committees to assist them with recommendations for the BEE requirements for our industry.

Regular Steering Committee meetings & Cosmetic Stakeholder seminars, feedback sessions and workshops were held ensuring that the industry were kept informed and had the opportunity to participate in the process.

In June 2005 six Sub-committees were formed to cover the BEE Code sectors, with meetings held every 2 weeks up until the release of the 2nd Phase of the Codes in December 2005 – about 10 meetings for each sub-committee & 6 joint sub-committee meetings. Each committee was tasked with researching its portfolio & working towards a draft weighting / scorecard. Jeffery Ndumo, Director BEE of the dti was a regular advisor to the steering and sub-committees.

Following the release of the Codes of Good Practice Phase 2, our Steering Committee and the six Sub-committees reviewed the Codes and questioned whether there were sufficient needs in the cosmetics industry to warrant a unique charter. After attending the Codes of Good Practice Seminar at the JSE, where Jeffery Ndumo presented, we appointed the consulting services of Empowerment Services. They were appointed to guide the BEE Cosmetics Sub-committees through understanding the codes and to assist with the drawing up of the BEE Cosmetics Comments and Suggestions Document to be submitted to the dti. Two meetings were held with stakeholders when Empowerment Solutions went through the Codes giving members a better understanding of the process.

Participating Companies – Steering Committee & Sub-committees

African Sales	Cosmetic Toiletry & Fragrance	Quality Products
Amcos	Association of SA	Rapidol
Amka	Delta Labs	Revlon SA
Avroy Shlain	Elizabeth Arden	SDK Agencies
Bee Nice & Clean	Estée Lauder	Sh'Zen
Beige Holdings	Johnson & Johnson	South African Cosmetic Export
Bizsolutions	LeSel Research	Council
Black Like Me	Lipo Chemicals	Tetrafull
Candy Girl	L'Oréal	Unilever
Clarins	Mama Mia Cosmetics	Union Swiss
Colgate Palmolive	Prestige Cosmetics	
Costech	Procter & Gamble	

Participating Companies – Financial Contributions

Adcock Ingram	Elizabeth Arden	Permark
African Growth Sales	Environ	Prestige Products
African Sales	Estée Lauder	Prime Product Manufacturing
Akulu Marchon	Frika Styles	Quality Products
Alberto Culver	House of Aloes	Rapidol
Amka	Indigo Cosmetics	Reckitt Benckiser
Avroy Shlain	Johnson & Johnson	Revlon SA
Beige Holdings	KPSS - Goldwell	Sara Lee
Black Like Me	LeSel Research	Schwartzkopf & Henkel
Candy Girl Cosmetics	L'Oréal	Sh'Zen
Cara Mia	Mama Mia	Tetrafull
Clarins	Orleans Distributors	Unilever SA
Colgate Palmolive	Prime Products	Union Swiss

IN CONCLUSION

As we look to the future, we need to grow our membership to include all those companies which still operate outside the South African Cosmetic Regulations. CTFA is in a strong position to assist these companies. Through ensuring all products are manufactured under compliance of the South African Self-regulatory system, through responsible marketing, we can guarantee results in an industry of which we can all justifiably be proud. South Africa is admired throughout the world for its Cosmetic Regulations and it is important that companies are given the wherewithal to ensure that their products can compete with first world countries.

The CTFA secretariat and Executive Council thank our members for their whole-hearted support during 2005. Together we can go forward into 2006 with drive and determination to ensure a successful and profitable year. We need to strengthen our alliances with members and reinforce our position as the voice for the industry.

CTFA Team

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Elmarie Groeneveld	- Accountant	E-mail: acccounts@ctfa.co.za
Candice Wilson	- Executive Assistant	E-mail: candice@ctfa.co.za
Dorah Mokgara	- Receptionist	E-mail: reception@ctfa.co.za
Margaret Hewson	- Look Good...Feel Better National Co-ordinator	E-mail: Margaret@lqfb.co.za

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Independent Auditors Report

By Brendan Graham – Graham & Company

