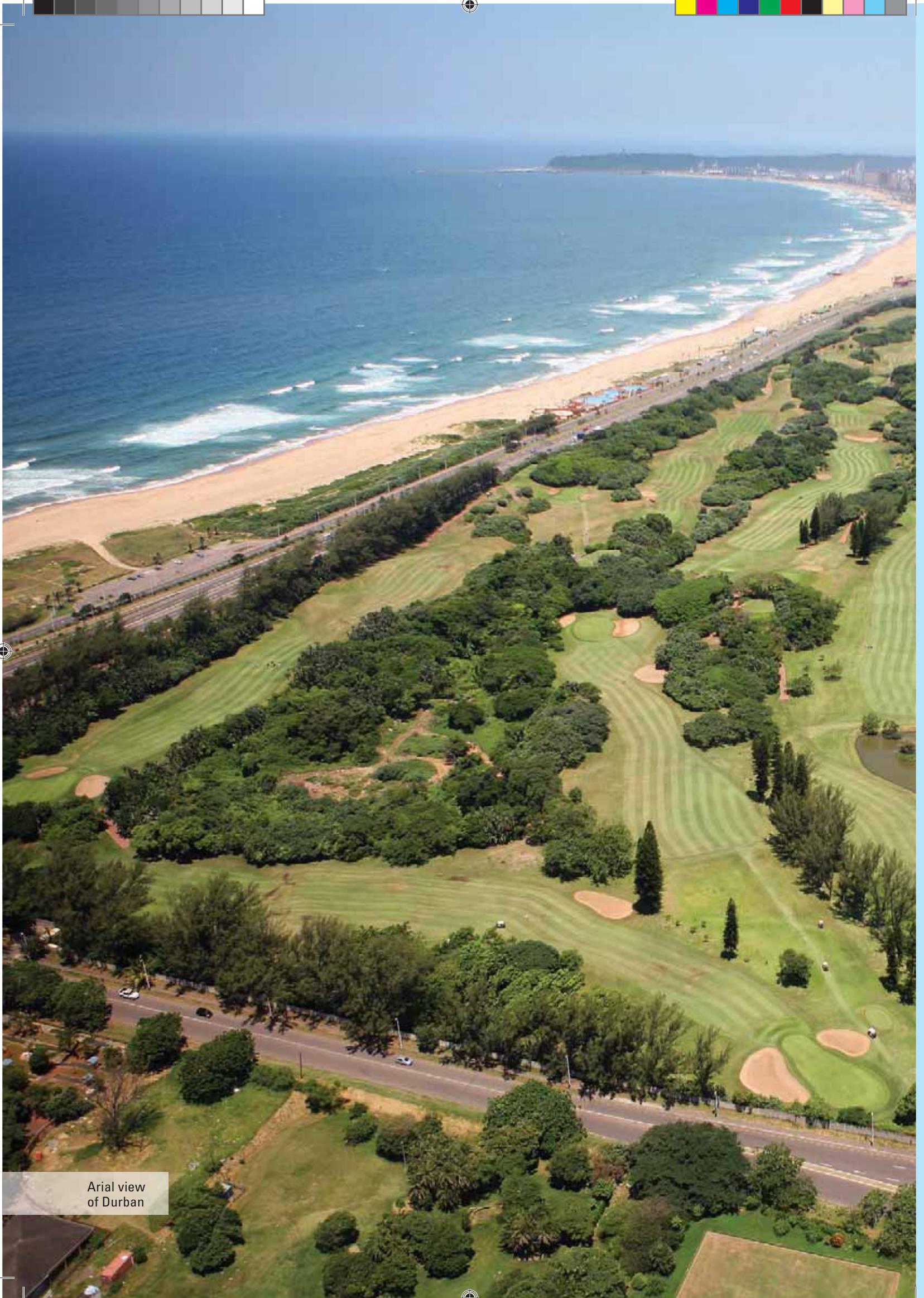




DURBAN **INVESTOR** HANDBOOK





Arial view of Durban





CONTENTS

| | |
|--|-----------|
| Doing Business in Durban | 2 |
| Profile of Greater Durban | |
| Map of Durban | |
| Economic Mix | 4 |
| Manufacturing | |
| Tourism | |
| Commerce | |
| Finance and Real Estate | |
| Strategic Strengths | 5 |
| Infrastructure | 6 |
| Transport and Logistics | 7 |
| Business Environment and Investment Opportunities | 7 |
| Opportunities | |
| Investment Incentives | |
| Labour Law and Conditions of Employment | 8 |
| Visas, Work and Residence Permits | 10 |
| Driver's Licences | 10 |
| Company Registration | 11 |
| Business/City Partnerships and PPP's | 12 |
| Small Business Development | |
| Utility Costs | 13 |
| Water | |
| Electricity | |
| Waste Disposal | |
| Property Rates | |
| Export Linkages and Opportunities | |
| Exchange Controls | 14 |
| Financial Services | 14 |
| Public Finance | |
| The Johannesburg Securities Exchange | |
| Banking Sector | |
| Restrictions on Local Borrowing | |
| Property Acquisition | 15 |
| Taxation | 15 |
| Environmental Legislation | 16 |
| Useful Websites | |

DOING BUSINESS IN DURBAN

Overview Profile of Greater Durban: Durban is strategically well located on the South East Coast of Africa and is the major port city of the African continent. Its location puts it in the heart of shipping and trade routes reaching to all major markets on the globe.

Some key facts and figures

| | |
|---|-------------------------------|
| Geographic Area | 2,297 km ² |
| Population (2011 Census) | 3 554 151 million |
| Density..... | 1551 persons/ km ² |
| No. of Households | ± 958 867 |
| Gross Domestic Product (2014 est.)..... | R 312,6 billion |
| GDP per Capita (2013 est.) | R87 942 |
| GDP Growth (2013 to 2014) | 2.1% pa |

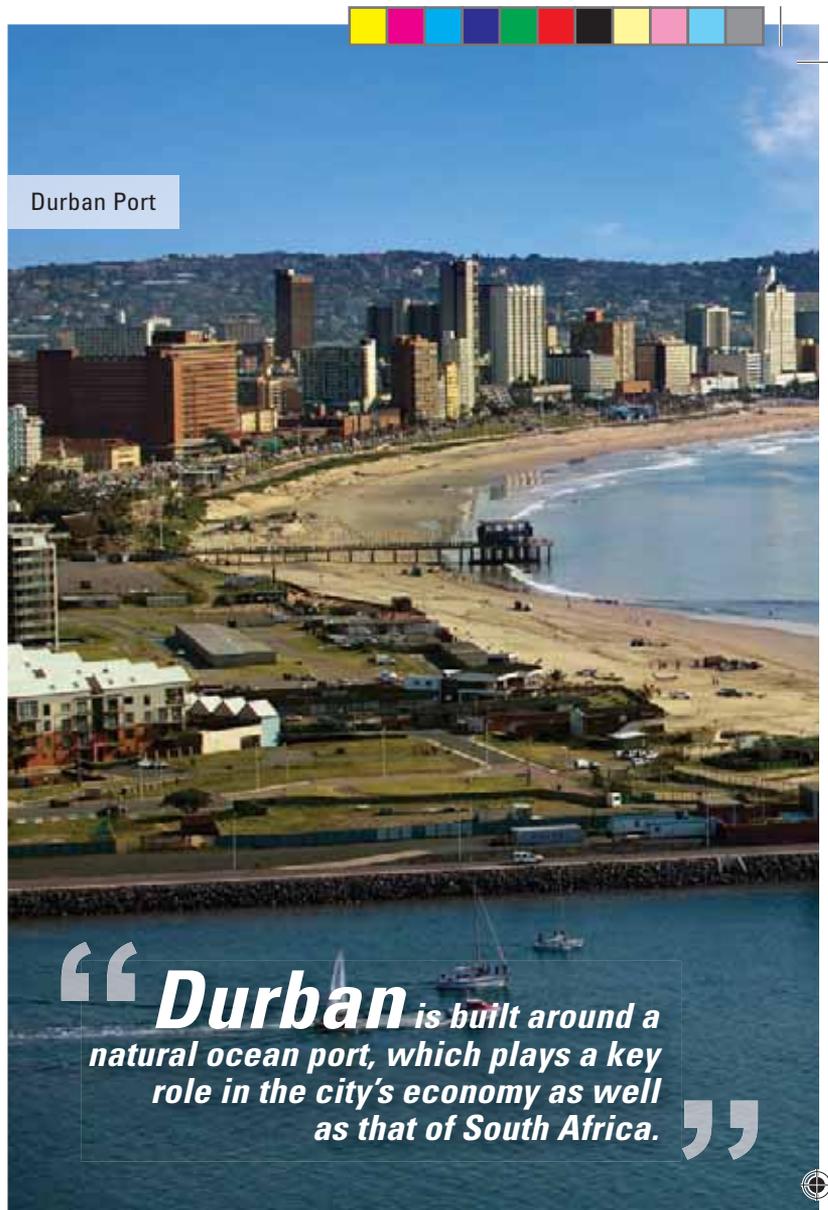
The name Durban, which strictly speaking relates to the City of Durban, has come to be associated more broadly with the local government area officially known as the Ethekewini Municipality, administered by the Ethekewini Metro Council. This council area which covers 2297 square kilometres was made up by the unification of 48 smaller local councils as part of a new political development programme.

Durban's climate which is essentially sub-tropical, is temperate with a high percentage of sunshine hours per day. Humidity, which is influenced by the warm Mozambique current which flows past, tends to be high in mid-summer. Day/night temperatures range from 30/20°C in summer to 20/8°C in winter.

Durban is a city of over 3.5 million people made up of diverse cultural groupings emanating from a variety of historical backgrounds. Blacks, Indians, Whites and Coloureds form the main ethnic groupings, together with a small but growing percentage of people of other Asian origin. The city was established more than 180 years ago and has grown into a modern and vibrant economic centre.

The City is built around a natural ocean port, first known to the outside world in 1497, which plays a key role in the city's economy as well as that of South Africa. It has established itself as the main coastal gateway into and out of Southern Africa.

The city's core economic generators are, (i) finance and real estate, (ii) the transport logistics sector related mainly to import/export actively through the port, (iii) its diversified industrial base and (iv) tourism, by virtue of its sought-after seaside and leisure attractions with a thriving international convention capability in the form of the International Convention Centre (ICC) and a modern sports infrastructure, which attracts a variety of international sporting events. Durban has a well-developed general infrastructure with state-of-the-art communication and IT capabilities and is well serviced by sophisticated financial and real estate sectors. Trade and Commerce, which link into the above, are thriving.



| INDICATORS | 2013 |
|---|---|
| Gross Value Added (GVA) (Constant 2010 Prices) | R 284,9 billion |
| Gross Domestic Product (GDP-R) (Constant 2005 Prices) (R1000) | R 312 558 668 |
| Gini Coefficient | 0.63 |
| Per Capita Income | R 50 712 |
| GVA annual growth (2013 - 2014) | 2.2% |
| Population | 3,554,151 |
| Geographic Area | 2, 297 km ² |
| Population Growth (1996 - 2013) | 1.3% |
| Population Density | 1 551 persons/ km ² |
| Number of households | 958,867 |
| Urbanization Rate | 92.0% |
| Percentage of people in poverty | 38.7% |
| Major Sectors | Manufacturing, Tourism, Finance, Trade, Transport |
| Human Development Index | 0.63 |
| Annual Disposable income | R 100,6 billion |
| Tourism Spend | R 19,2 billion (2014) |
| Total Employment (formal & informal) | 1 249 730 |
| Annual Expenditure by product type (R1000) | R 182 044 871 |
| Annual Retail Trade sales by product type (1000) | R 52 571 007 |
| Total Exports (R1000) | R 60 151 044 |
| Total Imports (R1000) | R 127 398 297 |

Denny Thayer, Global Insight/Economic Development & Investment Promotion Unit/Procurement & Infrastructure, Development Engineering, Quarterly Labor Force Survey, 2014.2, Statistics South Africa



URBAN DEVELOPMENT ZONE

2014 TO 2020

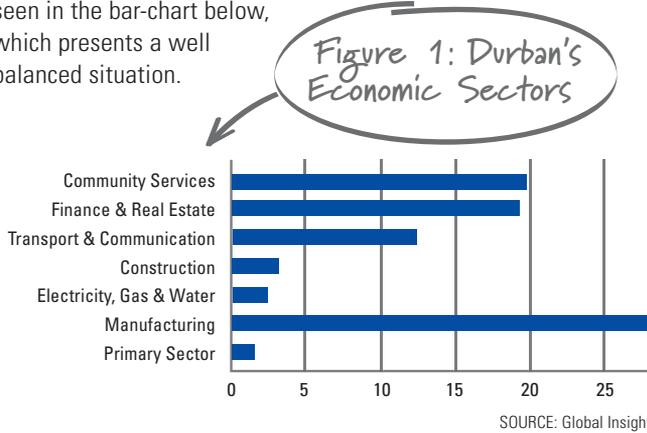
- | | | |
|------------------------------|------------------------------|----------------------------------|
| 1. Gladys Manzi | 14. Masabalala Yengwa | 26. Richard |
| 2. Osborne | 15. Lower Marine | 27. Inkosi Albert Luthuli |
| 3. Matthews Meyiwa | 16. South Beach | 28. Sydney |
| 4. Croydon | 17. Bell | 29. Canberra |
| 5. Isaiah Ntshangase | 18. Albert | 30. Gale |
| 6. Cobham | 19. Camperdown Road | 31. Eden |
| 7. Umgeni | 20. Mahatma Ghandi | 32. Umbilo |
| 8. Bram Fischer | 21. Shepstone | 33. King Dinuzulu |
| 9. Wyatt | 22. Bay | 34. Carters |
| 10. KE Masinga | 23. Maritime | 35. Chris Nthuli |
| 11. Somtseu | 24. Margaret | 36. ML Sultan |
| 12. Sylvester Ntuli | 25. Walne | 37. Carlisle |
| 13. Stalwart Simelane | | |



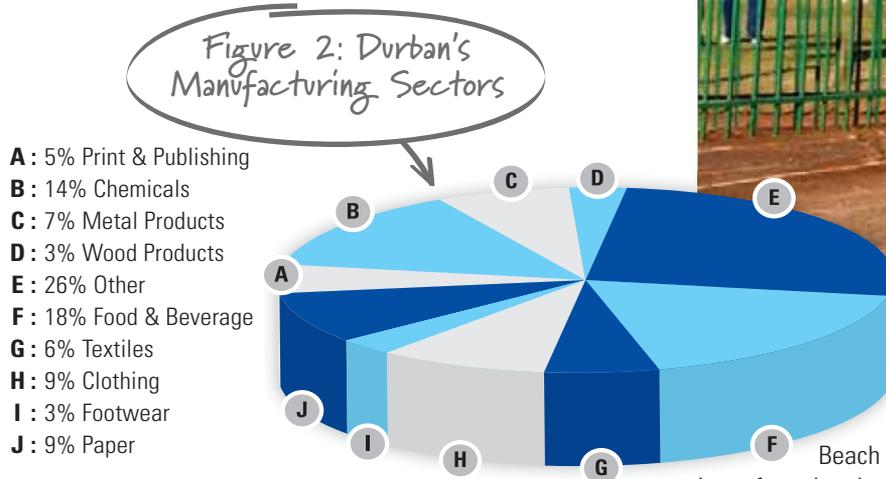


ECONOMIC MIX

The local economy is dominated by the manufacturing sector but the relative importance of other sectors such as Tourism can be seen in the bar-chart below, which presents a well balanced situation.



The important Manufacturing sector is well diversified, with extensive linkages inland into other parts of the region and to the key Industrial and mining developments around Johannesburg and Pretoria in Gauteng Province, as well as internationally in the form of imports and exports. The main sectors are depicted in figure 2.



From the above pie-chart which is based on recent data, appears that the manufacturing sector is dominated by Chemicals, Food and Beverages. However, the Automotive Vehicle and Components sector, which is shown partly in "Metal Products" and partly in "Other", is a very important sector for the City, as it includes Toyota South Africa's manufacturing plant which has the highest share of the South African market and has in recent years embarked on a major vehicle and components export programme.

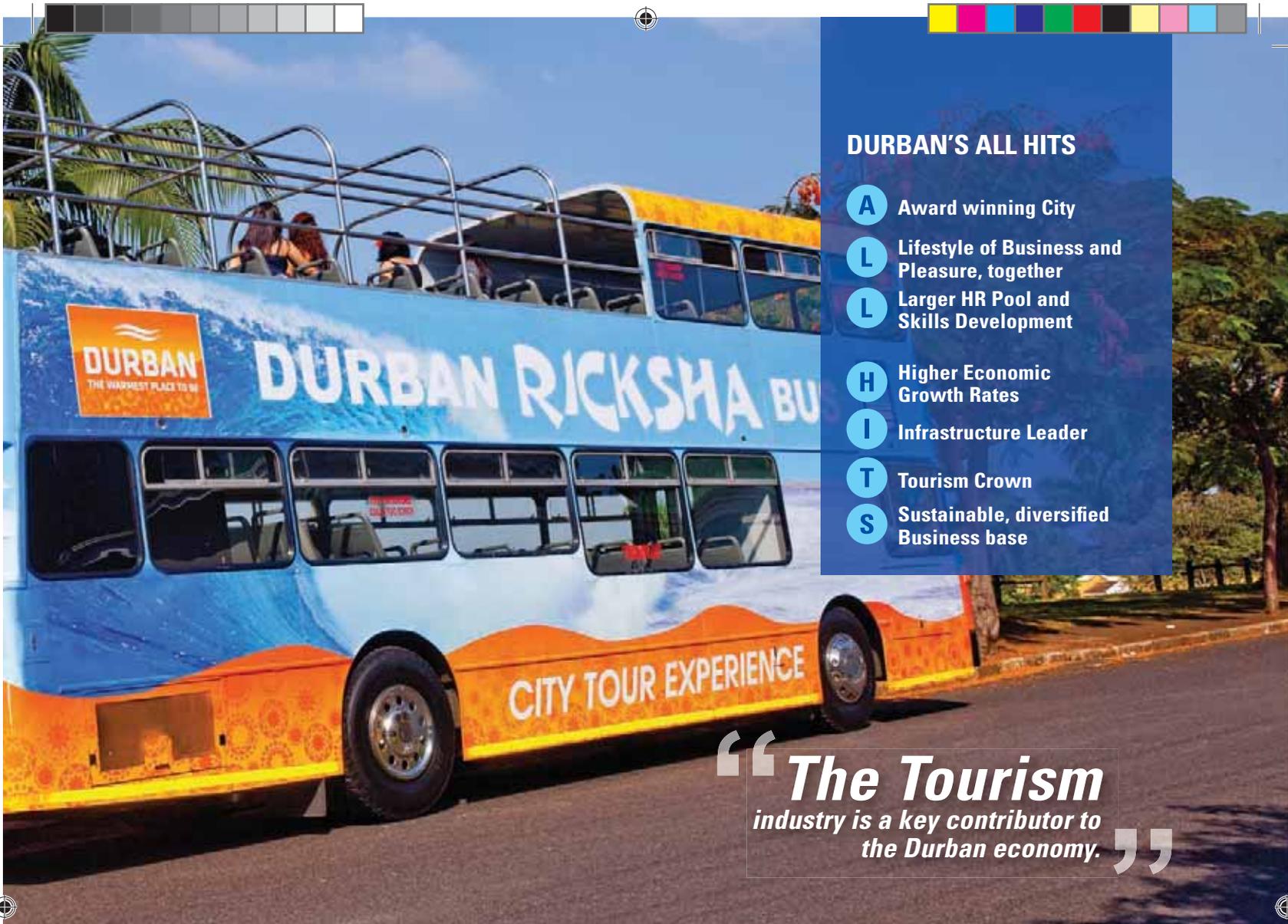
Also within the Metal Products sector are the Ship Building and Repair sub-sectors, which are growing in importance and technical capability. The Paper and Wood products sectors are other growth sectors, which are enjoying excellent success in international markets. The Clothing Industry and the Textile Industry (as a supplier to the Clothing Industry), which are traditional Durban industries, are currently enjoying good export growth under the United States African Growth and Opportunities Act (AGOA). The current AGOA programme provides potentially huge opportunities for a variety of economic sectors, from manufacturing to agriculture, to accessing the enormous US market on a duty and quota-free basis on approved products and has been extended to 2015. However, an addendum dealing with certain developing countries being allowed to make use of 3rd country inputs lapsed in September 2004 and a further extension of date is currently under discussion and negotiation in the US.



Tourism: The Tourism industry is a key contributor to the Durban economy. It is structured around several components. (i) Beach front, facing onto the warm Indian Ocean, with its safe swimming and sparkling amber sands, children's pools, world-class surfing, restaurants and wide range of entertainment, (ii) the Point which includes a wide variety of attractions including the world-class uShaka Marine Theme Park with its breathtaking Oceanarium, which opened on the 30th of April 2004, (iii) the Sun Coast Casino and Entertainment Centre, (iv) the Gateway Centre with its water park, contemporary shopping, restaurants and other entertainment, (v) international, national and local sporting events at quality venues such as the world class Moses Mabhida Stadium complex. A second major casino and entertainment centre in Durban is the Sibaya Casino Resort located on the coast just north of Durban. Another important contributor is the International Convention Centre (ICC), a world-class state-of-the-art convention centre, which has hosted a number of major international conferences such as the Non-Aligned Movement Summit, the African Renaissance Conference, the Commonwealth Heads of Government, the World Economic Forum and was voted the number one conference centre in Africa for years by the World Travel Awards. Zulu culture, arts and crafts are other significant activities, which link into tourism under the theme of "Kingdom of the Zulu".

Overseas visitor arrivals to Durban and KwaZulu-Natal have been increasing steadily, with significant growth from 1994 to the present. KwaZulu-Natal is visited by approximately a third of all





DURBAN'S ALL HITS

- A** Award winning City
- L** Lifestyle of Business and Pleasure, together
- L** Larger HR Pool and Skills Development
- H** Higher Economic Growth Rates
- I** Infrastructure Leader
- T** Tourism Crown
- S** Sustainable, diversified Business base

“*The Tourism industry is a key contributor to the Durban economy.*”

South Africa's international air arrival visitors, with over 2 million foreign visitors in 2012. Durban also remains a premier destination for domestic tourists.

The rapid growth in tourism presents a variety of investment opportunities and Ethekewini Municipality is available through its tourism section to advice on new investment opportunities in tourism.

Commerce and Industry: From the above it can be expected that there is a well developed commercial sector in Durban. The retail-shopping sector is concentrated largely in suburban shopping centres. Of these, several such as The Pavilion (Westville), Galleria (Amanzimtoti) and Gateway (Umhlanga), are very large, providing sophisticated shopping, retail banking, restaurants and entertainment.

Other commercial activities revolve mainly around Aluminium conversion and fabricated products, Automotive Retail Sector (Parts, Components and Building Supplies), Beneficiation and value-addition, Business Process Outsourcing, Chemicals, Clothing, Construction, Electronics, Engineering, Food Processing, Footwear, Leather, Petro-Chemicals, Textiles, Trade, Tourism and Wood Products. Good office accommodation is available in both the CBD and several decentralised nodes.

Finance and Real Estate: (Also see: Financial Services) The Banking and Insurance sectors are generally highly developed in terms of technology, skills and operating systems and compare favourably with their international counterparts. The trading environment amongst financial institutions is very competitive and thus a wide range of product and service options is available.

The Real Estate sector is very active and well established. Good quality industrial and commercial properties are available to suite most needs. Made to order buildings, especially for manufacturing or logistics, can generally be negotiated. There is substantial choice of location for both industrial and commercial property.

Legal Systems: The Legal System, which is based on Roman Dutch Law, is sophisticated and modern. It has the capability of handling first world level negotiations and agreements between local and international organisations in both the private and public sectors. Audit compliance and respect for the I.P are paramount, with secure legal foundations.

STRATEGIC STRENGTHS

- A** : Award winning City
- L** : Lifestyle of Business and Pleasure, together
- L** : Larger HR Pool and Skills Development
- H** : Higher Economic Growth Rates
- I** : Infrastructure Leader
- T** : Tourism Crown
- S** : Sustainable, diversified Business base



Durban has become the de facto coastal "gateway" to Southern Africa. It has the largest port in Africa in terms of value of cargo throughout and is South Africa's premier general cargo and container port. It is ideally located to access the international shipping linkages to the Americas, Europe, the Persian Gulf, South East Asia, the Pacific Rim and Australia/New Zealand. In addition it is the most sensible location for transshipment of cargoes between Eastern, Middle Eastern and Western economies.



INFRASTRUCTURE

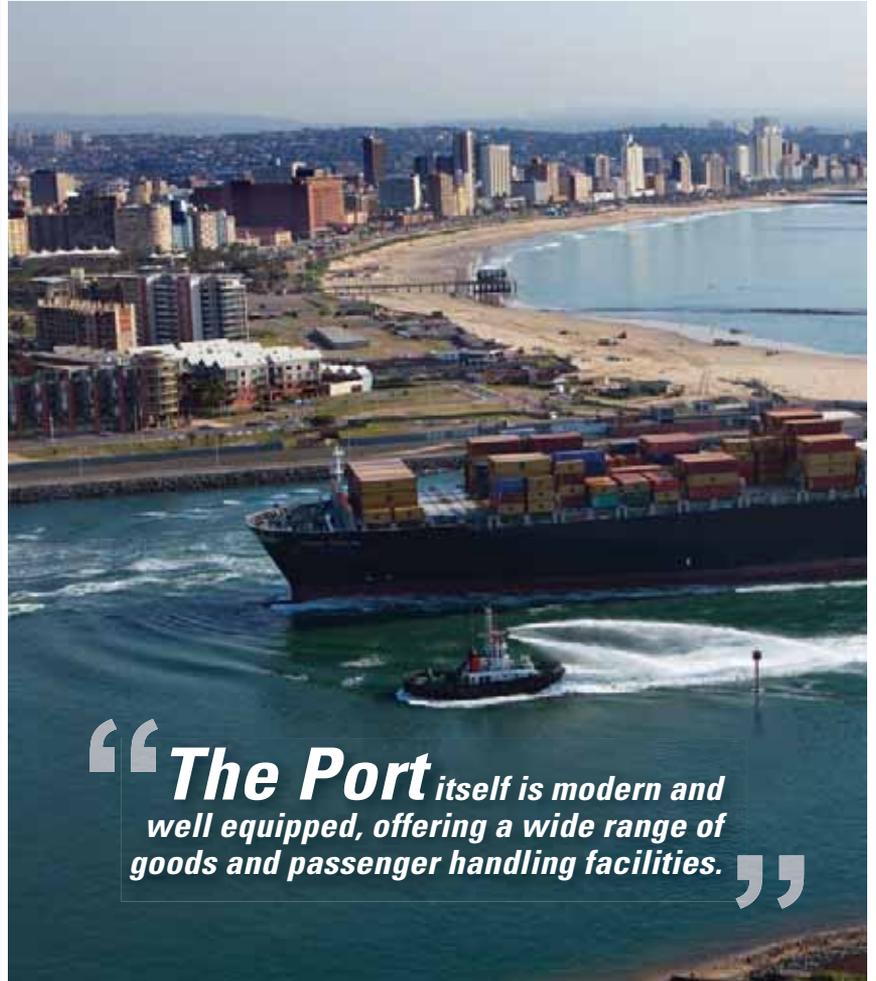
Durban offers established and advanced infrastructure. Goods flows are heavily influenced by imports and exports through the port, although the local commercial and industrial sectors have strong linkages throughout the province and into the hinterland, especially to Gauteng Province. All modes of transport and goods handling systems are available, with the main components being as follows:

Transport Systems (Africa's Best)

- Port operation facilities
- Rail network - goods and passenger linked to national system
- International Airport with air-cargo facilities
- Extensive road network with national and regional linkages
- Oil/Petroleum pipeline to Gauteng and Free State provinces.
- Gas pipeline emanating from Sasol in Mpumalanga province.

Further key elements of the city's infrastructure are:

- Modern IT and telecommunication networks
- Low cost electricity from the national grid (Eskom)
- Ample water supply via major reservoir network
- Established municipal sewerage and waste management systems
- Modern postal services



Durban Esplanade





Durban Port

BUSINESS ENVIRONMENT AND INVESTMENT OPPORTUNITIES

Durban offers a number of new opportunity areas for business investors. Within these areas there are opportunities for both the large and small investor.

Investment opportunities can be categorised into seven main groupings. These are

- Agriculture
- Property Development
- Manufacturing
- Knowledge Sector
- Tourism
- Commerce
- Public/Private Sector Partnerships (PPP's)

There is scope and opportunity for the SMME participation and development within each of the above categories. Durban already has several organisations, which specialise in assisting new entrepreneurs and small businesses (Also see: Useful Websites) to establish themselves. Their services range from providing start-up premises to monitoring in business, marketing and administration to sourcing venture capital.

One of Durban Investment Promotions (DIPA)'s primary roles is to assist existing businesses to expand and upgrade their capabilities and facilities. Foreign Investors are also attracted, welcomed and supported. This process often requires extensive negotiations with local and government departments, or special infrastructure arrangements, or transport or waste disposal arrangements. The team's role is to facilitate this and ensure that all expansion projects and new investments get full support from the authorities and private business partners.

Knowledge Sectors - in addition to the above, the local council is placing much emphasis on stimulating growth in the so-called knowledge industries, i.e.

- Bio-Technology
- Call Centres
- Communications
- Electronics
- Environmental technology
- Film and television Production
- Information Technology

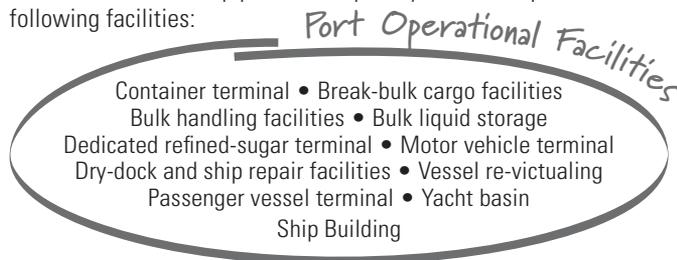
There have been key developments in several of these knowledge areas, e.g. the setting up of the Durban Film Office, the establishment of an IT Innovation Centre at the University of KwaZulu-Natal, promotion of bio-technology development through the CSIR, and the ongoing support to Smartxchange Durban. There are already a significant number of Call Centres operating successfully in Durban. This is largely due to the attractive cost structure, the communications infrastructure and the particular skills available.

Good environmental management is now a primary issue in the manufacturing sector and whenever a new physical facility is established. It is a key focus area in the upgrading programme for the South Durban Basin (SDB).

Major strategic development projects have been announced through the KwaZulu-Natal Growth Coalition and EThekweni Municipality, which is a partnership between the private and public sectors. The objective of this Coalition is to promote private/public partnerships in economic and infrastructure development for the city. ►

TRANSPORT AND LOGISTICS

As can be imagined, the large port provides the main transport and logistics node. The port itself is modern and well equipped, offering a wide range of goods and passenger handling facilities, as the largest Sub Saharan Africa Port. These are backed up by a versatile grouping of specialised and general warehouse and materials handling organisations and road, rail, air and pipeline transport systems. The port offers the following facilities:



Transshipment-warehousing and bond-warehousing are also available. The Port is currently undergoing a multi-billion rand investment programme aimed at upgrading existing facilities, increasing capacity and accommodating the latest mega-container vessels. Moreover, Port Improvements and Back Port Improvements are listed as part of the Strategic Projects for 2015 and beyond, with estimated project costs being R325 billion and R26.32 billion, respectively.

Durban now boasts a new international airport on the northern side of the city with modern trade-port, industrial development zone (IDZ), cyber port and village, and logistics centre. A wide range of business opportunities are emanating from and around this development, including direct fresh produce exports to Europe and other parts of the globe.

Some of the past and future planned strategic investment projects:

- 3rd Toyota Expansion:..... R8 billion..... (2008)
- Bridge City:..... R8 billion..... (2008)
- Dube TradePort:..... R6 billion..... (2010)
- 4th Toyota expansion:..... R1 billion..... (2013)
- Cornubia:..... R25 billion..... (2014)
- Umhlanga Ridge:..... R12 billion..... (2014)
- Keystone Industry:..... R7 billion..... (2014)
- Port Expansion & Dig out Port: R100 billion (Planned)
- Durban Point Developments:..... R17 billion..... (underway)

Trade Opportunities: Whilst there is a wide range of opportunities for increasing international trade through and from Durban, major opportunities fall under two important trade agreements, namely the African Growth Opportunity Act (AGOA) with the USA, and the Trade Development and Customs Agreement (TDCA) with the EU. South Africa's membership of the Southern African Development Community (SADC) also offers trade opportunities within Southern Africa. In addition, South Africa is a full member of the World Trade Organisation (WTO). (Also see: Export Linkages and Opportunities)

Investment Incentives: The approach of the eThekweni Metro Council to investment incentives follows a number of alternative channels. Briefly these can be summarised as:

- Accessing national incentive packages developed by the Department of Trade and Industry (DTI);
- A flexible negotiation stance relative to local property rates policy charges where large scale is achieved;
- Infrastructure support;
- Willingness to participate in feasible strategic PPP's
- A supportive attitude towards investor to minimise bureaucratic processes
- Maximisation of the comparative advantages of being located in Durban.

Note: The above policies are currently under consideration and the overall package can be expected to undergo further development from time to time.

DTI Incentives: The DTI's primary role is to facilitate access to sustainable economic activity and employment for all South Africans. The processes to achieve this vision involve the following key objectives.

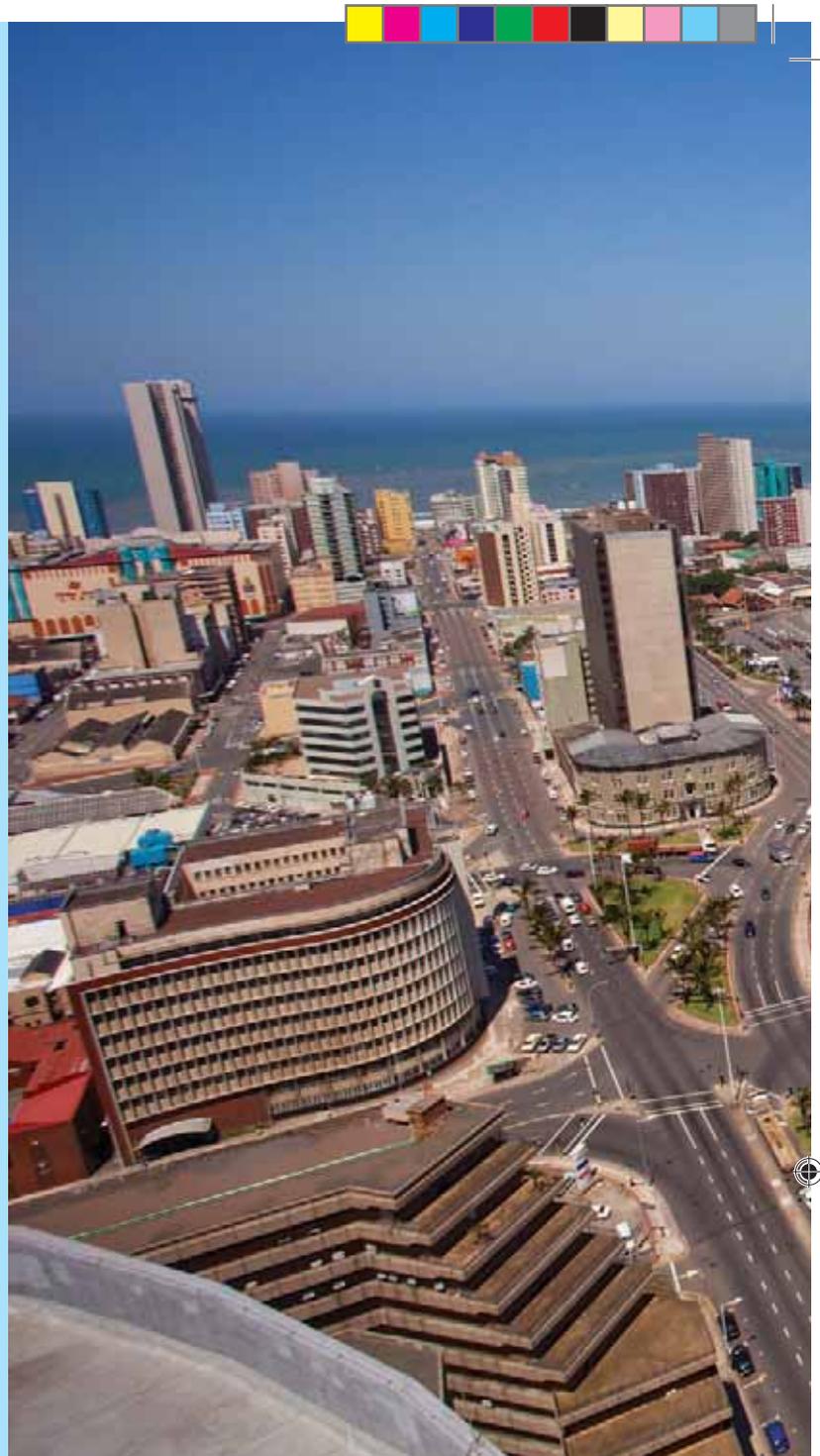
- Attracting higher levels of domestic and foreign investment
- Increasing market access to foreign investment
- Achieving a fair, efficient and competitive market place for domestic and foreign businesses and consumers.

A detailed publication outlining the DTI's incentive package can be downloaded from the website: www.thedti.gov.za

More than 30 incentive schemes are listed by the DTI, but the following are the most important for the new investor:

- Critical Infrastructure Program (CIP)
- Export Marketing and Investment Assistance Schemes (EMIA)
- Foreign Investment Grant (FIG)
- Industrial Development Zones (IDZ)
- Skills Support Programme (SSP)
- Strategic Industrial Projects (SIP)

Key Investment Incentive Programmes



LABOUR LAW AND CONDITIONS OF EMPLOYMENT

The following labour legislation is critical for business in South Africa and all new Investors are advised to familiarise themselves with the detail.

The main Acts, which are pertinent to the investor, are the following:

- Basic Conditions of Employment Act
- Labour Relations Act
- Skills Development Act
- Skills Development Levies Act
- Employment Equity Act
- Occupational Health and Safety Act
- Unemployment Insurance Bill - Notice 943 of 2000
- Compensation for Occupational Injuries and Diseases Act

The above Acts have been under recent review and a number of changes made in order to update them and bring them in line with modern labour and employment principles.

“ *There is a wide range of opportunities for increasing international trade through and from* **Durban** ”



Amendments were introduced in the following areas:

- Collective bargaining and bargaining councils
- Dispute resolution by the CCMA and the Labour court
- Rights and responsibilities of employers and workers in the event of retrenchments, transfers of business, and insolvency.
- Basic conditions of employment and contractual relationships.

The above changes, which have been thoroughly negotiated with both Organised Business and Organised Labour, represent a major step forward in South Africa's labour legislation.

Basic conditions of employment: The Act provides a floor of rights for all workers on issues relating to working time, leave, termination of employment and employer obligations. The Act does not always specify what conditions should apply, but includes a number of mechanisms, which can facilitate appropriate conditions of employment for particular sectors and circumstances.

It must be emphasised that both labour legislation and the state of the labour market in South Africa are in an evolutionary stage

and that it is incumbent on employers to keep themselves informed of changes taking place. It is also recommended that employers establish good working relations and communication with the trade union relevant to their business with a view to developing a highly productive, skilled and motivated workforce.

The evolution of the labour market system in South Africa was affected in the past by both restrictive labour practice and the highly protected business environment. This tended to push business investment away from labour intensive processes towards capital intensity. Now that import protection has been lowered in terms of South Africa's membership of the WTO and South African business is becoming more global market oriented, these issues are manifesting themselves in the high unemployment rate. New labour legislation is, amongst other objectives, attempting to address the question of unemployment.

Information obtained from the Department of Labour.

More information is available on their website,

www.labour.gov.za/docs/legislation/index.html.



Warwick Interchange

VISAS, WORK AND RESIDENCE PERMITS

Foreigners contemplating investment in South Africa are recommended to make themselves thoroughly familiar with all regulations governing residence, visas, work permits, immigration permits and study permits.

Legislation governing visas, work and residence permits is constantly being reviewed and being updated. The information given below should be regarded as a guideline only. For more detailed information please consult the website of the Department of Home Affairs: www.home-affairs.gov.za. The current cost of permits is as follows: (Tariffs as at 31 July 2014 (indicative))

Visas:

- South African Visa.....US\$ 47 or R 497.86

Temporary Residence:

- Visitor's permit (holiday).....US\$ 72 or R 762.67
- Business permit.....US\$ 255 or R 2701.14
- Work permit (employed).....US\$ 255 or R 2701.14
- Extension/alteration of work permit (employed).....US\$ 255 or R 2701.14
- Work permit (own business).....US\$ 255 or R 2701.14
- Study permit.....US\$ 72 or R 762.67

Permanent Residence:

- Renewable every 24 monthsUS\$ 255 or R 2701.14
(Various conditions attached)

Frequently Asked Question

Q : Time to process a visa application

A : 10 days.

Q : Can visas be obtained at airport?

A : No – must be in possession before arrival in SA.

Q : Are visa's needed before visiting SA?

A : Many exemptions – see list of countries on Department of Home Affairs website below.

Q : Visa's required for international conference?

A : Yes.

www.home-affairs.gov.za

Visit the Department of Home Affairs website for more information



DRIVER'S LICENCES

Foreigners may drive in South Africa on an international driver's licence for up to one year. If they plan to stay longer than one year (such as contract staff from an investor's home country), they can convert their foreign licence into a South African licence. The process for this is as follows:

Step 1: Take valid foreign licence together with a traffic register certificate (obtainable from local licensing office) to local consulate in South Africa, who will assess the licence and issue a translation into English and advise what driver's code level the licence is equivalent to, for example, passenger sedan for private use.

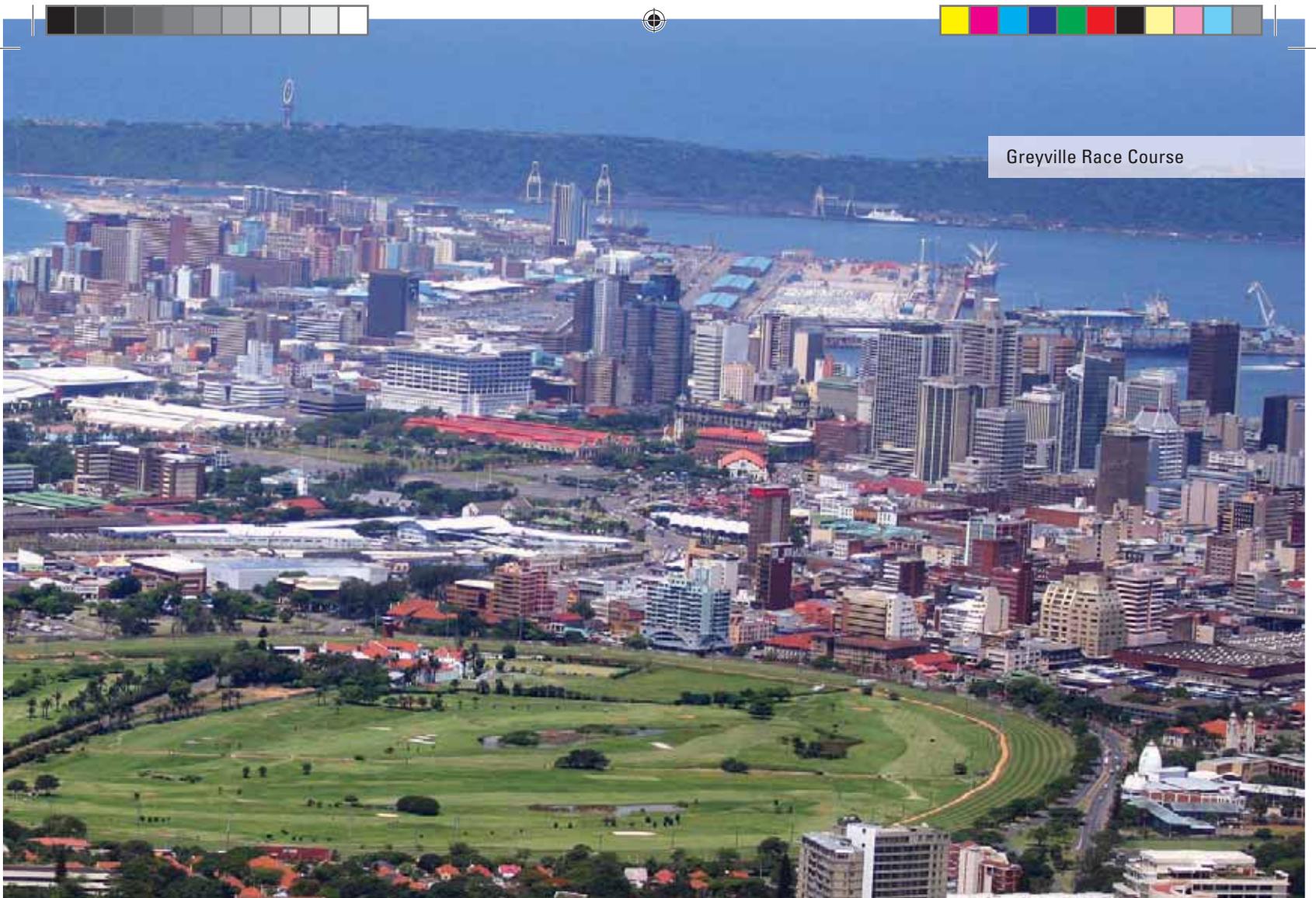
The foreign licence must still be valid when it is submitted to the consul and the licence office.

Step 2: The translation from the consulate and the traffic register certificate must be taken to the local vehicle licence office, which will issue the person with a South African drivers licence of the equivalent code to his/her foreign licence. Four licence size photographs are required, an application form must be completed, and a fee must be paid. Fingerprints for the national traffic register will be taken. No driver's test is required. The licence is of credit card size.

It is strongly recommended that such persons acquaint themselves fully with South African traffic signs and regulations.

Should the person wish to upgrade their licence to a higher code (for example, a heavy vehicle, they would have to undergo the normal local testing procedure for that code.





Greyville Race Course

COMPANY REGISTRATION

It is essential for a new investor to arrange for a legal firm to assist in selecting the most appropriate form of business entity. A number of issues need to be addressed, such as

- The number of persons involved in ownership.
- The nature of persons, for example and individual, a trust, a co-operative;
- Contractual capacity – all business associates must have the necessary capacity or authority to enter into business transactions;
- Corporate entity – individuals must decide whether they wish to conduct business in their own names or as a corporate identity;
- Limited liability – the corporate entity, as a separate legal person, will be liable for its own debts and losses. Thus creditors may require additional surety.
- Perpetual succession – this means that the existence of the business entity continues indefinitely and will not be affected when the membership changes.
- Tax – there are some tax related advantages available to owners who become directors or employees of their business entities, for example pension fund and medical aid contributions, as well as deferred compensation payments;
- The need for the entity to register for VAT and PAYE returns to the South African Revenue Services (www.sars.gov.za).

The following are the most common business entities available to the new investor:

(i) Company – with a company there is more flexibility regarding the shareholding at any stage of the company's development. There are both private companies and public companies. Companies are generally formed to cater for larger operations where the

questions of limited liability and perpetual succession are critical and the company is likely to grow to more than ten shareholders in due course.

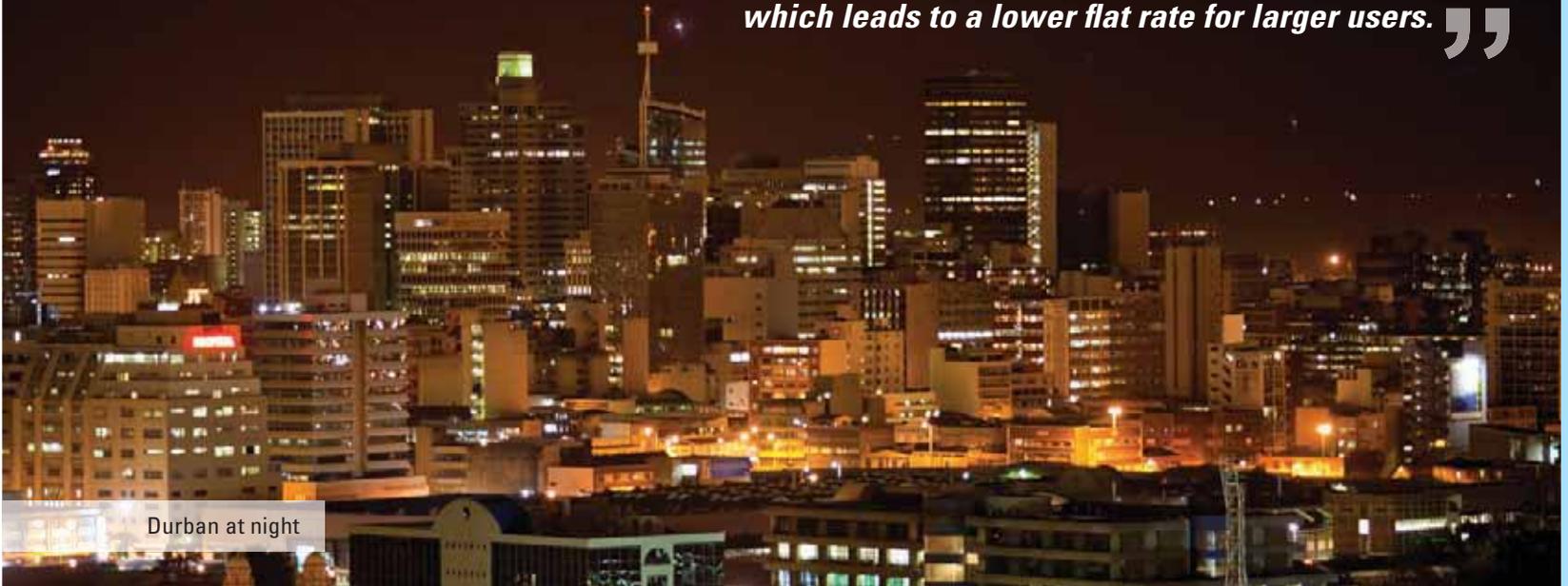
- Private company 1 to 50 shareholders.
- Public company minimum 7 shareholders, no maximum.
- Shareholders may include entities, such as trusts, other companies and other close corporations.
- Public companies are generally formed where the shareholders decide that there is a need to raise capital from the investing public.

(ii) Partnership – Partnerships are recommended where 20 -20 shareholders are involved who want to pool their resources to benefit from a business venture, but do not wish to incorporate their business. There is no perpetual succession and the partners are jointly and severally responsible for all debts and losses. Partnerships may carry on any type of lawful business, which could be a single joint venture or an ongoing business.

(iii) Business Trust – An alternative when up to 20 persons wish to establish a legal business relationship which provides the benefits of limited liability but does not go the full path of incorporating their business. Trusts may carry on any type of lawful business activity.

(iv) Sole Proprietorship – is suitable for an individual starting a new business venture on a full or part-time basis. Such a person may not wish to go the expense of full incorporation and has no wish to enter a partnership agreement with another person. A sole proprietor may carry on any kind of lawful business.

“ Municipalities buy their **electricity** from Eskom and their costs are influenced by the Eskom tariff, which leads to a lower flat rate for larger users. ”



Durban at night

BUSINESS/CITY PARTNERSHIPS AND PPP'S

(SEE ALSO "INVESTMENT OPPORTUNITIES")

An excellent strategic partnership has developed in Durban between the City Council and Organised Business. This partnership has been formalised in the form of "The KZN Growth Coalition", and the Durban Chamber of Commerce, where the parties have agreed upon a development strategic plan for the launch of major economic development projects. In some of these projects the Province of KwaZulu-Natal is also involved. The current projects are listed under the section above dealing with "Investment Opportunities".

This list is not restricted or conclusive and the Council has a firm policy of working with individual investors and existing businesses both in strategic joint ventures and as a facilitator to assist them in satisfying their service and infrastructure needs to ensure their long-term profitability and success.

The above relates to one aspect of Public-Private Partnerships (PPP's) as the concept is also used to deliver public services. A PPP is usually a contract awarded by a public sector organisation or department to a private sector organisation or firm to carry out part of its service delivery or administrative functions. The private sector organisation assumes the associated risks of carrying out the function and, in return, it is paid a fee linked to certain performance criteria.

Key aspects of a PPP, which differ from the public sector department carrying out its own delivery, are:

- Focusing on the services to be provided rather than on the assets to be utilised.
- Shifting the risks and responsibilities associated with the task of service to the private contractor.

The basic form of PPP is a simple service contract. The period is specified and the deliverables clearly set out. The government department retains ownership of all facilities, capital assets and properties.

There are also more complex forms of PPP's such as concessions and build-operate-transfer schemes (BOT's), which often need to involve private financing. In such cases the organisation, which is awarded the contract, may be required to maintain and improve or upgrade facilities and assets used. This may require capital expenditure by the contractor, e.g. toll roads.

Firms or organisations planning to bid for a PPP contract should familiarise themselves with the latest legislation in place, as it is subject to ongoing review. It is essential that PPP bidders satisfy themselves that the contract is affordable by all parties.

In committing to a contract for a PPP, at least the following aspects should be covered by the contractor.

- Time period of the contract;
- Specific service deliverables and outputs;
- Payment formula;
- Management relationship between public sector department and private sector contractor;
- Penalties and termination in case of default;
- Technology transfer between contractor and department and vice versa;
- Process for dealing with specification and content changes within the contract period.
- Protection of intellectual property of both parties;
- Processes of consulting and dealing with organised labour;
- Environmental aspects, which need to be addressed.

The area of PPP's is expected to offer numerous opportunities for investors.

Visit the Department of Finance website for more information

www.treasury.gov.za

Small business development: In Durban, aspirant entrepreneurs and small businessmen are assisted by the Business Support, Markets and Tourism unit of the eThekweni Municipality. The National Government, through the Department of Trade and Industry (DTI), offers and supports a range of programmes aimed at assisting economic development of SMMEs and amongst previously disadvantaged communities and groups, through the likes of SEDA (Small Enterprise Development Agency), eThekweni. see www.thedti.gov.za.

UTILITY COSTS

Water: Ethekewini Metro Council buys its water from a water authority known as Umgeni Water Board. The Council is responsible for drawing up its own usage rates. The following are the rates for Durban for the period 01 July 2014 - 30 June 2015.

Industrial*, Commercial and non-residential users – R16.47 per kilolitre (kl) per month. Fixed charges vary with connection size.

Domestic users (full pressure system)

- 0 to 9 kl Free,
- 9 to 25 kl R13.51 per kl.
- > 45 kl R30.52 per kl.
- Fixed charges, >30 to <45 kl R27.74 per month
>45 kl R30.52 per month

* For very large industrial users special representation for volume rates may be considered where competitive issues arise. Re-cycled water is also available by special negotiation in certain industrial areas.

Electricity: Rates for Durban are as follows as at 01 July 2014 (Excluding Vat).

| | | | |
|-----------------------|---------|----------------------------|---|
| Small Business | Scale 1 | Energy | 130.23 cents per kWh |
| | | Service charge | R170.41 per month |
| Bulk Users | | LV3 – Maximum demand | R259.68 per kVA |
| | | Energy | 55.51 cents per kWh |
| | | Restricted Demand Discount | R56.02 per kVA |
| | | General Discount | Dependent on the normal minimum demand. |
| Town and Office Users | | Split into seasons | Peak, Standard, Off-peak etc. |

Business tariffs do not work on a true volume sliding scale. Municipalities buy their electricity from Eskom and their costs are influenced by the Eskom tariff, which leads to a lower flat rate for larger users.

| | | | |
|---------------------|-------------|------------------|---|
| Residential tariffs | Scale 3 & 4 | (3 phase supply) | 115.32 cents per kWh |
| | | | Service charge included in unit rate |
| | | | Deposit to cover 2 to 3 months usage required |

Refuse Collection and Disposal: Durban charges as at 01 July 2014 (to be reviewed from 01 July 2015)

| | |
|--------------------------------|--|
| Residential/Domestic | Included in Rates (see below) |
| Business (<i>Commercial</i>) | 1. A volume charge of R94 + VAT per cu. Metre 2. A monthly hire charge for wheeled container (240 litre) of R21.17 + VAT or "bag supply surcharge" of R20.00 + VAT (per m ³ = 12 bags) |
| Business (<i>Industrial</i>) | Calculated separately for each enquiry (service and location dependent) |

Export Linkages and Opportunities: Durban and the Province of KwaZulu-Natal offer an excellent location for access to the following foreign markets:

- Indian Ocean Rim
- Persian Gulf
- South East Asia
- Pacific Rim
- Australia and New Zealand
- Sub-Saharan Africa

In addition, there is regular shipping movement between Durban and Europe, the Mediterranean area and North and South America. Within the Southern hemisphere it is strategically one of the most advantageous shipping points for International trade.

Whilst there are innumerable opportunities for Durban based companies to increase their export sales, the major opportunities fall under two negotiated trade agreements, namely the African Growth Opportunity Act (AGOA) with the USA, and the Trade Development and Customs Agreement (TDCA) with the EU. South Africa's membership of the Southern African Development Community (SADC) also offers trade opportunities within Southern Africa. In addition, South Africa is a full member of the World Trade Organisation (WTO) and is therefore bound by the articles of that membership. Locally grown or manufactured goods in the S.A. Customs Union (Botswana, Namibia, South Africa, Lesotho and Swaziland) can trade entirely duty free.

AGOA:

- AGOA is fundamentally about creating wealth and prosperity in Africa.
- It opens the door for new exports of goods, duty and quota free, to the enormous US market (approx. \$10 trillion).
- Nearly 1900 new products added to GSP (General System of Preferences), which already offers access to 5000 products, and GSP extended to Africa for to September 2015, with renewal of negotiations underway.
- Special duty free and quota free access to US market for certain categories of clothing.
- Bill provides an opportunity for sustained annual growth of at least 30% in duty-free exports of African made apparel to the US.
- Opens up new trade opportunities within Africa as the value-added chain expands beyond individual borders.
- Excellent Foreign Direct Investment (FDI) opportunities into Africa for non-African countries wishing to enter the US market.

There are currently 37 Sub-Saharan African countries, which are eligible for tariff preferences under AGOA. South Africa is one of these designated countries.

TDCA:

- 8 000 tariff items in RSA/EU book aim is zero duty.
- Negotiations with EFTA countries also in progress.
- South Africa subject to duty advantages over GSP in certain items, e.g. swimwear – MFN 12.6%, GSP(1) 10.7%, RSA 7.7%.
- TDCA has brought a greater measure of certainty and discipline.
- Has had a positive impact on the judgement of international credit rating agencies.
- A positive trend in trade flows between RSA and the EU is developing.
- These preferences have established an additional reason for FDI, especially from countries facing higher entry conditions into the EU.



EXCHANGE CONTROLS

The present SA government is steadily phasing out Exchange controls which were introduced by the previous government to prevent the outflows of capital due to political factors. Not only have the capital outflows stopped, but since 1994 South Africa has experienced a net inflow of capital. However, the very low level of the country's official foreign reserves precluded a complete removal of controls. The government has thus been following a gradual phasing out in line with improving foreign reserves. The ultimate objective is the complete elimination of exchange controls.

The present status of exchange controls as still applied by South Africa is as follows:

- South Africa now complies fully with the requirements of Article VIII of the international Monetary Fund as far as exchange controls on current account transactions are concerned. Such restrictions as do exist are recognised as necessary for the effective implementation of the controls on the outward investment or resident owned capital.
- There are no exchange controls on non-residents, neither for capital, not for current transactions.
- South Africa continues to apply a gradual approach to exchange control liberation, and each year since 1995 has seen further easing of controls.
- For full details of the most recent revisions to (i) corporate foreign direct investment (FDI) offshore and into Africa by South African firms and (ii) accessing domestic credit for FDI into SA by foreign firms, see the most recent Budget Speech by the Minister of Finance.
- For details regarding (i) offshore investments by institutional investors and individuals, (ii) annual travel allowances for residents travelling abroad, and (iii) transfer of funds belonging to former residents of South Africa (immigrants), please contact the South African Reserve Bank (SARB) on www.resbank.co.za.
- Repatriation of Funds: Overseas companies, which invest in South Africa, either in a new business operation, or an acquisition, or a joint venture or partnership, are not subject to exchange control. Capital and dividends may be repatriated, whether this is in the normal line of business, or if the investor wishes at any stage to close the local operation or withdraw their capital. Annual dividends are freely transferable.

All transactions in and out of the country will be at the prevailing market exchange rate at the time of the transaction.

Type of funds:

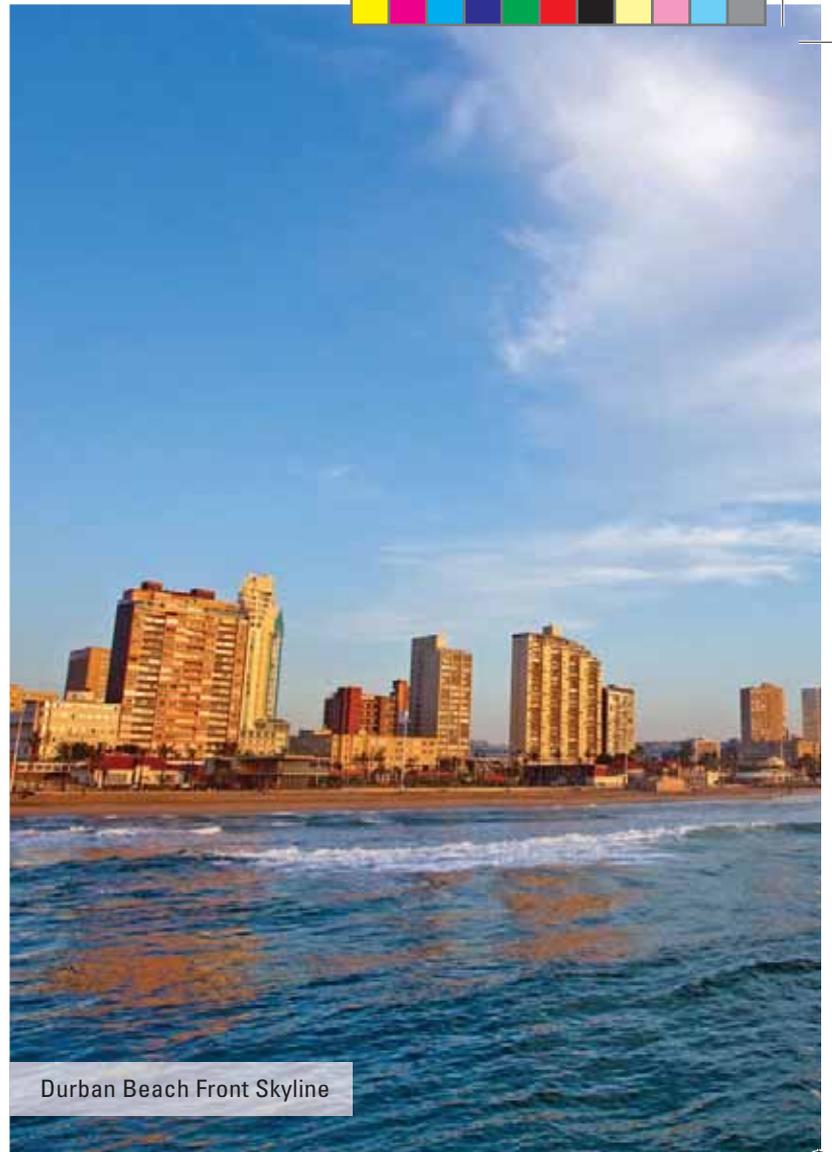
- Dividends.....No restriction
- Interest.....No restriction
- Equity investments.....No restriction
- Royalties*.....12% withholding tax
(where no double tax treaty in place)
- Loans.....No restriction (exchange control approval required on initial terms of loan).

*royalty agreement approval required by DTI and SARB

FINANCIAL SERVICES

Public Finance: Monetary and Fiscal policies are the responsibility of the South African Reserve Bank (SARB) and the Department of Finance respectively.

The Reserve Bank is the central bank of the Republic of South Africa. It regards its primary goal in the South African economic system as the achievement and maintenance of financial stability. The SARB regards it as essential that this country has a growing economy based on the principles of a market system, private and social initiative, effective competition and social fairness. It strives, in the performance of its duties, to pursue balanced economic



Durban Beach Front Skyline

development and growth. (Source: SARB website - South African Reserve Bank (SARB) on www.resbank.co.za).

Monetary policy relates to decisions and measures of the SARB aimed at influencing variables such as:

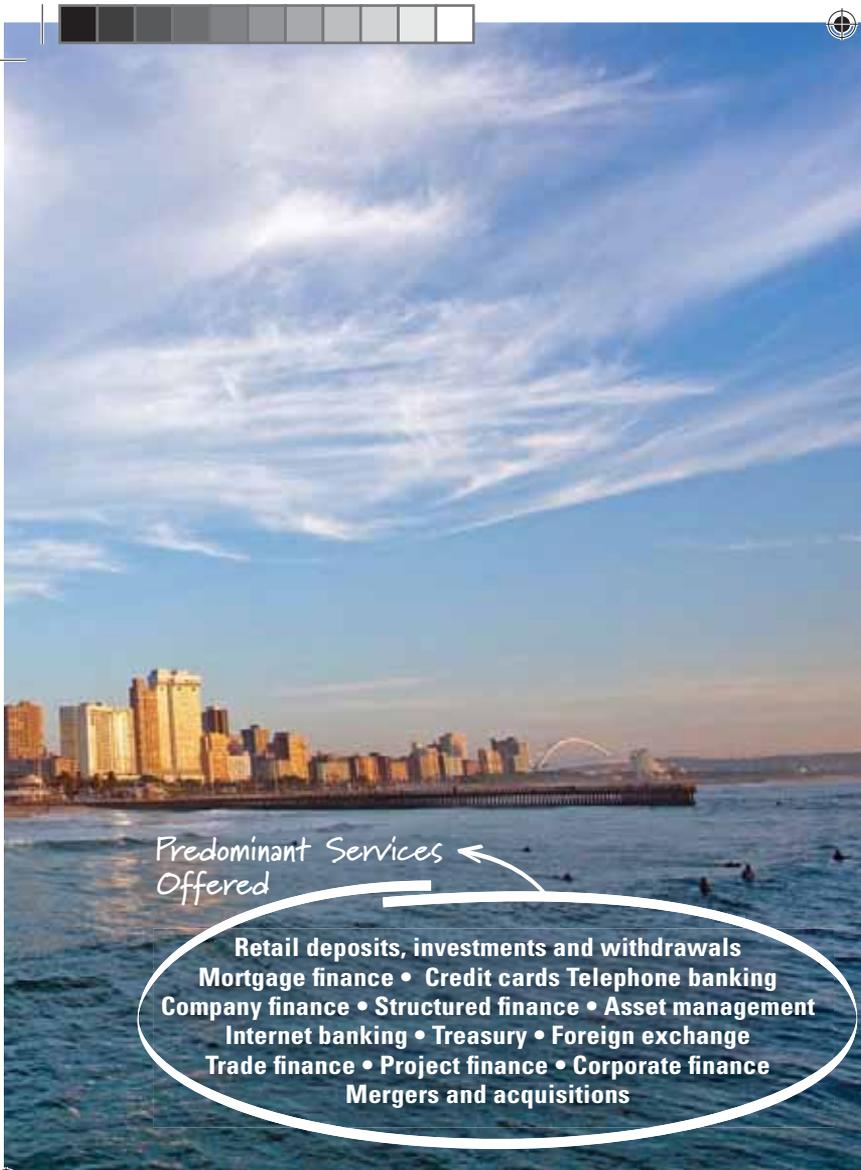
- Credit and monetary expansion,
- Liquidity conditions,
- Foreign exchange reserves,
- Rand exchange rate,
- Domestic interest rates.

Fiscal policy deals with decisions regarding the finances of public authorities – their revenues and expenditures and their borrowing and lending operations. The Minister of Finance's annual budget is a key event for the business community. The budget is used by the Government to address perceived economic priorities as spelled out in their economic strategic plans.

The Johannesburg Stock (Securities) Exchange: The Johannesburg Stock (Securities) Exchange provides a financial market for equities, warrants and futures. It also has a Development Capital market and a Venture Capital Market. See the JSE website: www.jse.co.za.

Banking Sector: South Africa has a modern and sophisticated banking sector. All financial services are well represented and Durban is the centre of the industry in KwaZulu-Natal Province. The banking sector is a combination of several strong domestic, some smaller domestic niche banks and a number of international banks. Normal retail banking is generally the domain of the domestic banks, with the international banks focusing on the government institutional and corporate finance, trade finance and investment markets.





Predominant Services Offered

Retail deposits, investments and withdrawals
 Mortgage finance • Credit cards Telephone banking
 Company finance • Structured finance • Asset management
 Internet banking • Treasury • Foreign exchange
 Trade finance • Project finance • Corporate finance
 Mergers and acquisitions

The top five domestic banks (Absa, First Rand, Investec, Nedbank and Standard Bank) are substantial in size and rank in world class in terms of management. Their activities extend abroad and into other African states. State-of-the-art electronic banking is the norm for funds management.

Restrictions on local borrowing: Non-Residents may borrow up to 100 per cent of the Rand value of funds introduced from abroad and invested locally.

Non-Resident wholly-owned subsidiaries may borrow locally up to 100 per cent of the total shareholders' investment, which is taken to mean the paid-up equity capital, preference shares, undistributed earned profits, and shareholders' loans from abroad and, in certain instances, the hard core of shareholders' trade credit. This total is generally known as the company's "borrowing base" or "effective capital".

The effect of local participation in non-resident controlled entities is to make the above mentioned norms more liberal and greater the local participation, i.e. the ability to borrow locally increases. A formula is used for calculating the "local financial assistance ration".

(Source: SA Reserve Bank – Exchange Control Manual, Section 6.2.1.3) Refer also website South African Reserve Bank (SARB) on www.resbank.co.za.

PROPERTY ACQUISITION

The South African Government is reviewing the restriction on foreigners purchasing property in South Africa provided that sufficient funds are transferred into the country to cover the transaction. The regulations regarding local borrowing apply (see above). There are active real estate markets operating in Durban and the Real Estate Industry is

highly competitive and service oriented. All the major real estate companies maintain sophisticated databases.

Durban is experiencing high occupancy rates of industrial buildings. However there is undeveloped land available in a number of industrial townships. Refurbishment of old industrial properties is also taking place and in some cases effective and attractive industrial hives for small manufacturers have been developed. Office space is generally in good supply, with a number of new developments focusing on modern designs, in progress.

The following are some indicative industrial and commercial rental and purchase prices prevailing as at July 2014.

Industrial Land (purchase prices)

Durban Industrial Townships

- **Prospecton:** R1200 - 1350 per m² (by Toyota Manufacturing, near old Airport)
- **Southgate:** R1200 per m² (small new township, further south)
- **Springfield Park:** R1600 - 1800 per m² (high demand, light industrial)
- **Jacobs:** R1250 per m² (old township, near port, refurbishing programme)
- **Pinetown/Westmead and Mahogany Ridge:** R1250 - 1500 per m² (modern, good logistics)
- **Other sites available:** R400 - 600 + per m² (away from inner city area)

Durban Office space

- **CBD:** R40 to R90 per m² (traditional downtown area)
- **Umlhanga Ridge:** R100 to R150 per m² (new, very modern, up market)
- **Westville:** R70 to R120 per m² (new, attractive environment)

Industrial Buildings (Municipality Property Rates Tax)

The property rates is determined by applying the rates randage per land use as indicated below:

- Industrial at 3.053 cents in the Rand
- Business and commercial at 2.366 cents in the Rand
- Public service infrastructure at 0.261 cents in the Rand
- Vacant land at 4.678 cents in the Rand
- Development Phasing Line at 1.544 cents in the Rand
- Rentals - very variable according to specification, location and size of building.
- Building costs - Portal frame structure, 6 metres R2500 to R3800 per sq. metre, excluding professional fees and VAT.

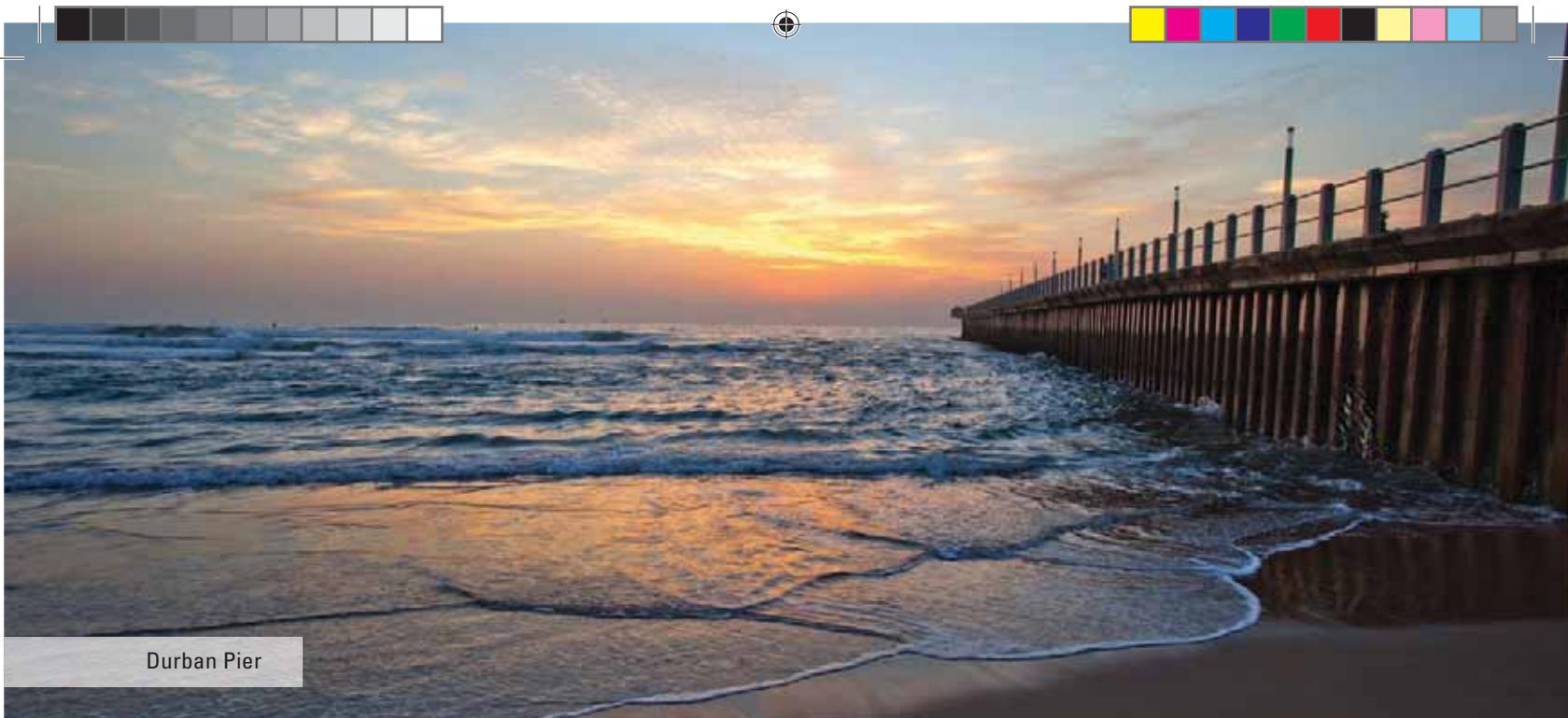
NOTE: All above quoted prices are general indications of market levels as at July 2014. Individual transactions may vary substantially according to circumstances.

TAXATION

South Africa has operated a source-based taxation system with effect from assessment years ending on or after 1 January 2001. South African residents are taxed on their worldwide income, with certain exemptions. Non-residents who earn income in South Africa are taxed locally.

Any company incorporated in South Africa (or effectively managed from SA) is deemed to be a South African resident for taxation purposes. Corporate tax rate 28% as at February 2015.

Value Added Tax (VAT) of 14% is levied on goods and services at their point of end-use. Exemptions are selected basic foodstuffs and petrol. Exports do not incur any VAT. ►



Durban Pier

Some key elements of company tax:

- Tax losses may be carried forward and offset against future profits. Losses incurred by a foreign branch of a South African resident firm cannot be offset against profits earned in South Africa.
- There is no withholding tax for profits from a South African based branch of a foreign company when remitted out of the country.
- Transfer pricing from South Africa to a company located outside the country must be conducted at arms length (see specific legislation).
- In partnerships and joint ventures, each partner is taxed only on his/her share of the partnership's taxable income.
- Normal company income tax is at 30%, with a secondary tax (STC) of 12% on net dividends declared.
- Capital Gains Tax (CGT) has been introduced from 1 October 2001.

The maximum marginal tax rate on individuals is R185 205 plus 40 per cent of amount by which taxable income exceeds R638 600.

Other taxes – There are a number of other taxes to be taken into account.

Companies:

- | | |
|--|---|
| • Customs and Excise | • Municipal rates on property |
| • Transfer duty on real estate transactions (not subject to VAT) | • Regional Services Council levy |
| • Stamp duties on documents | • Skills development levy (can be claimed back against approved training programmes). |
| • Fuel levies | |
| • Motor vehicle licenses | |

Individuals:

- | | |
|-----------------|--------------|
| • Donations tax | • Estate Tax |
|-----------------|--------------|

Double taxation agreements have been negotiated with approximately 50 other countries and many others have been negotiated but either not yet signed or ratified.

Depreciation Allowances: The following depreciation allowances are allowed. The objective is to encourage companies to invest in new assets and to regularly upgrade existing assets.

- Plant and machinery (new and used)..... 20% per annum
- Hotel equipment..... 20% per annum
- Agriculture..... 50% (year 1), 30% (year 2), 20% (year 3)
- Buildings..... 5% per annum
- Hotel refurbishment 20% per annum
- Non-manufacturing fixed assets..... 10% to 33.33% per annum

ENVIRONMENTAL LEGISLATION

South Africa is committed to achieving world standards of environmental management. The country is a signatory to the world body for environmental standards and is currently revising its legislation to ensure it complies with international standards. All new development and business activities, which disturb or impact on the environment, require an Environmental Impact Assessments (EIA) to be completed before permission for commencement. Environmental management is governed by the Environment Conservation Act, which has the following objectives:

- to ensure that the environmental effects of activities are taken into consideration before decisions in this regard are taken;
- to promote sustainable development, thereby achieving and maintaining an environment which is not harmful to people's health or well-being;
- to ensure that identified activities which are undertaken do not have a substantial detrimental effect on the environment, and;
- to prohibit those activities that will;
- to ensure public involvement in the undertaking of identified activities, and to regulate the process and reports required to enable the Minister of his designated competent authority to make informed decisions on activities.

(Source: Department of Environment Affairs and Tourism)

The applicant for environmental clearance is required to appoint an independent consultant to conduct the EIA on their behalf.

In addition to the above, the Ethekwini Metro Council has introduced a number of local by-laws to address the particular needs of the Metro area.

For more information

Department of Environment Affairs and Tourism
www.environment.gov.za.

Department of Finance
www.finance.gov.za

SA Revenue Services
www.sars.gov.za

USEFUL WEBSITES

Durban Local Government

EThekweni Metro Council
www.durban.gov.za

Durban Tourism

EThekweni Municipality
www.durbanexperience.co.za

Business Partners Ltd.

www.businesspartners.co.za

Economic Development

EThekweni Metro Council
Economic Development Unit
www.economic.durban.gov.za

Finance

Johannesburg Stock (Securities) Exchange
www.jse.co.za

Ithala Development Finance Corp. Ltd.

www.ithala.co.za

KwaZulu-Natal Tourism Authority

Tourism KwaZulu-Natal (TKZN)
www.zulu.org.za

National African Federation

Chamber of Commerce and Industry
www.nafcoc.org.za

Organised Business

Durban Chamber of Commerce and Industry
www.durbanchamber.com

Port of Durban

National Ports Authority
www.transnetnationalportsauthority.net
www.ports.co.za

Small Enterprise Development Agency

(Seda)
www.seda.org.za

Seda EThekweni

www.seda-ethekweni.org.za

Trade and Investment KwaZulu-Natal (TIKZN)

www.tikzn.co.za

Trade and Investment South Africa (TISA)

www.thedti.gov.za/about_dti/tisa.jsp

Technology and Research

Council for Scientific and Industrial Research (CSIR)
www.csir.co.za

SA GOVERNMENT DEPARTMENTS

South Africa Government Online

All Departments
www.gov.za

Competition Commission South Africa

www.compcomp.co.za

Department of Agriculture, Forestry and Fisheries

www.daff.gov.za

Department of Communications

www.doc.gov.za

Department of Environmental Affairs and Tourism

www.environment.gov.za

Department of Home Affairs

www.home-affairs.gov.za
www.dha.gov.za

Department of Labour

www.labour.gov.za

Department of Mineral Resources and Energy

www.dmr.gov.za
www.energy.gov.za

Department of National Treasury

www.treasury.gov.za

Department of Science and Technology

www.dst.gov.za

Department of Trade and Industry

www.thedti.gov.za

Department of Transport

www.transport.gov.za

Financial Services Board

www.fsb.co.za

South African Reserve Bank

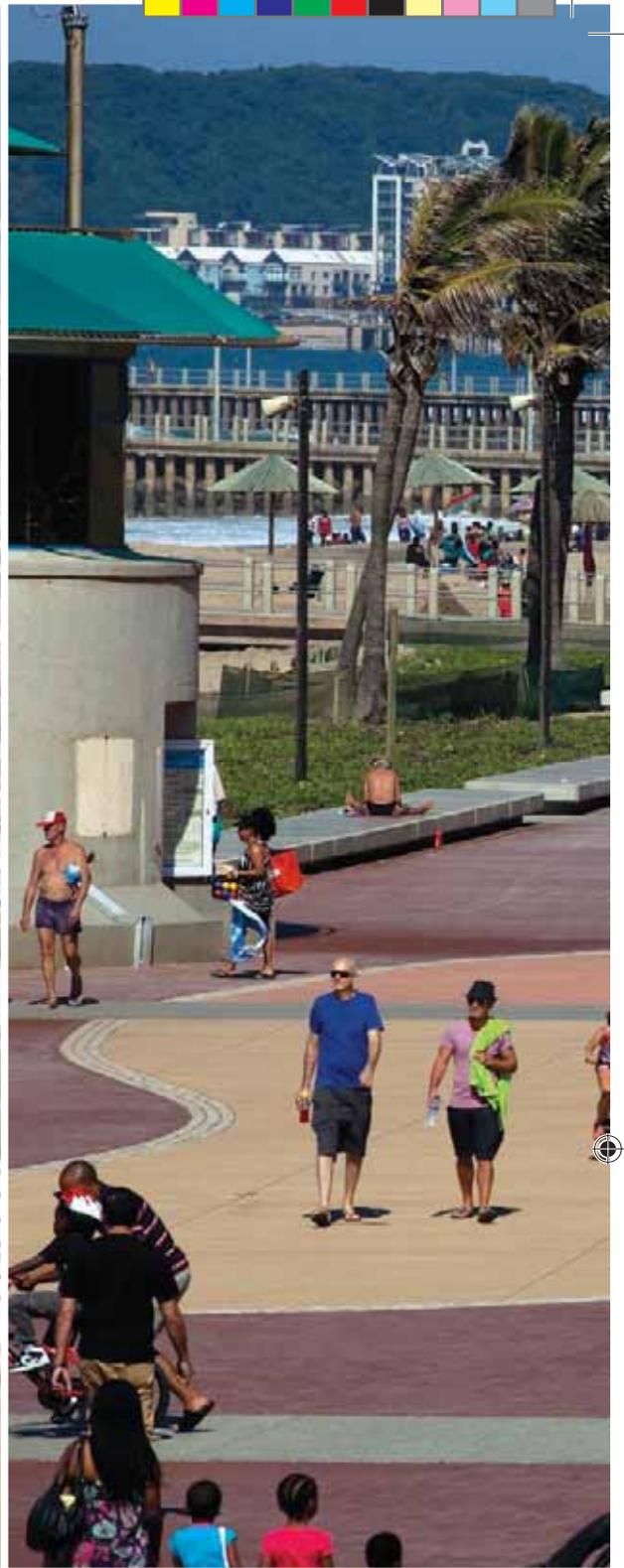
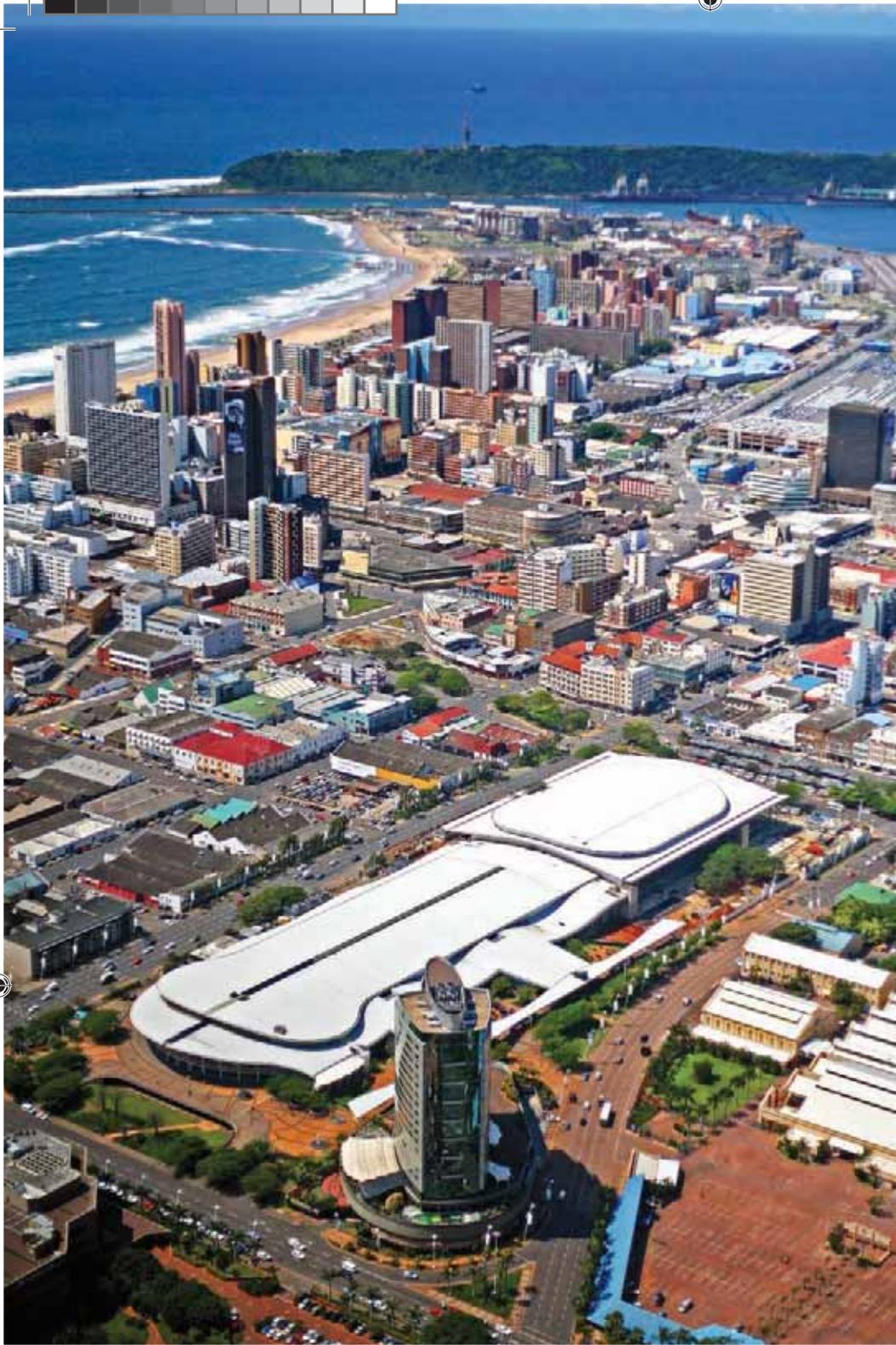
www.reservebank.co.za

South African Revenue Services

www.sars.gov.za

Statistics South Africa

www.statssa.gov.za



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