

CHAIRMAN'S REPORT

I have pleasure in presenting my first report as Chairman of Pareto Ltd.

The reality of the current economic trading conditions is reflected in the year on year net growth in profit from operations for Pareto's portfolio at 7.3%. Although every effort is being made by management and Pareto's service providers to enhance the return on investment to the Shareholders, the downturn in the economy as well as increases in assessment rates and taxes, electricity and water is having a negative overall effect on the performance of the portfolio.

In its desire to comply with the requirements of sound corporate governance, the Board agreed to assess its effectiveness by using an outside facilitator to ensure objectivity and independence. During 2010 the Board appointed the Institute of Directors to conduct such an appraisal. The Board noted the recommended areas of improvement and has implemented various enhanced measures to meet the requirements of sound corporate governance.

The Companies Act, 2008 came into effect on 1 May 2011. One of the effects of this is that the Memorandum and Articles of Association of Pareto needs to be converted into the company's Memorandum of Incorporation. Due to the recent corporate activity at a shareholder level, management has postponed the review and implementation of the Memorandum of Incorporation until 2012.

The Board and its sub-committees acknowledged the impact of the Consumer Protection Act, 2008 on Pareto's business and have embarked on various activities, such as an overall review of our standard lease agreements which are used at shopping centre level, so as to facilitate compliance with this legislation.

Pareto continues to render an asset management service to Business Venture Investments No 1360 (Pty) Ltd in respect of Menlyn Park Shopping Centre, Cavendish Square and Cavendish Connect. BVI was incorporated in 2009 and acquired a 50% undivided share in Menlyn Park Shopping Centre and Cavendish Square and Connect on 28 July 2010.

In order to ensure that the portfolio remains competitive and to meet customer demands, Pareto (and where applicable, its co-owners) have embarked on Master Development Plans at Tyger Valley Centre, Southgate Mall and Cresta in excess of R400 million.

I am pleased to report that on 1 January 2011, Nomzamo Radebe was appointed as Chief Investment Officer and Reanne van der Merwe as Chief Financial Officer. Nomzamo is a qualified Chartered Accountant with an extensive appreciation of the property industry. As Chief Investment Officer she is responsible for the asset management function of Pareto. As Chief Financial Officer, Reanne is responsible for the full financial and risk management function. Reanne is a qualified Chartered Accountant and has been involved in Pareto's operations for a number of years.

On behalf of the Board, I wish to extend my sincere appreciation and thanks to the executive directors and their team for their consistent performance during the year to maintain Pareto's prominence, financial stability and status as a retail-focused property fund. We also extend our gratitude to our shareholders, Eskom Pension & Provident Fund and the Public Investment Corporation for their support. Without our valued customers, suppliers, advisers and business associates we will not be able to grow the business and we thank you for your continued support, co-operation and contribution to the success of Pareto.

In conclusion, I thank my fellow directors for their support, valuable input and assistance during the past year.