



TETRAD 
GROUP

Annual Report
2009





For over a decade we have
worked to build a reputable
financial institution, based
on strong principles and
sound management





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Incorporation and Business

The company is registered in terms of the Companies Act Chapter 24:03 and is incorporated in Zimbabwe

These financial statements are expressed in United States Dollars

The financial statements were approved by the Board of Directors on 3rd December 2009. Where applicable the Groups Shareholders and Directors have the power to amend these consolidated financial statements.

Board of Directors

M E Kahari	(Chairman)
E Mlambo*	(Chief Executive Officer)
E E Chikaka	(Managing Director - Tetrad Investment Bank Limited)
J de la Fargue	(Non-executive Director)
A Kurauone	(Independent Non-executive Director)
J A MacLean	(Managing Director - Tetrad Hail Insurance Limited)
Z L Rusike	(Independent Non-executive Director)
D Sandeman	(Independent Non-executive Director)

*Executive Director

In terms of the Articles of Association, directors hold office for any period approved by the Board, subject to confirmation by members. The Board has approved that all directors shall hold office for a period of two years.

Membership of the Board Committees comprises a non-executive director from each of the principal companies and are therefore representative of the Group.

Board Committees

Assets and Liabilities Committee (ALCO)

T D Sandeman (Chairman)	Independent Non-executive Director - Tetrad Holdings Limited
E E Chikaka	Managing Director - Tetrad Investment Bank Limited
A B Fisher	Managing Director - TFS Management Company (Private) Limited
A Kurauone	Independent Non-executive Chairman - TFS Management Company (Private) Limited

Risk

T D Sandeman (Chairman)	Independent Non-executive Director - Tetrad Holdings Limited
E Mlambo	Group Chief Executive - Tetrad Holdings Limited
E Mungwariri	Independent Non-executive Director - TFS Management Company (Private) Limited

Audit

E Mungwariri (Chairman)	Independent Non-executive Director - TFS Management Company (Private) Limited
A Chatikobo	Independent Non-executive Director - Tetrad Investment Bank Limited
T D Sandeman	Independent Non-executive Director - Tetrad Holdings Limited

Remuneration

Z Rusike (Chairman)	Independent Non-executive Chairman - Tetrad Investment Bank Limited
M E Kahari	Independent Non-executive Chairman - Tetrad Holdings Limited
H J Orphanides	Non-executive Director - Tetrad Investment Bank Limited
E Mlambo	Group Chief Executive - Tetrad Holdings Limited

Company Secretary

J G Conway

Registered Offices:	Auditors:	Legal Advisors
1st Floor, Building 5 Arundel Office Park Norfolk Road Mount Pleasant P O Box 1670 Harare Telephone: 263 4 338401-6 Facsimile: 263 4 338400 e-mail: admin@tetrad.co.zw	Ernst & Young Chartered Accountants (Zimbabwe) Angwa City Cnr Julius Nyerere Way/ Kwame Nkrumah P O Box 62 Harare Telephone: 263 4 750905 Facsimile: 263 4 750707	Mawere & Sibanda 10th Floor, Chiedza House Cnr. 1st Street/K Nkrumah Avenue Harare Telephone: 263 4 750627 Facsimile: 263 4 7755249

Chairmans Statement

Economic overview

The year under review was marked by a paradigm shift in economic policy most notable being the suspension of trading in Zimbabwe dollars and the adoption of a multi-currency framework in February 2009.

Although generally perceived in a positive light, these developments according to the Reserve Bank of Zimbabwe had 'unintended' adverse consequences for pensioners, fixed income earners, rural constituencies and others with no direct means of earning foreign exchange. The impact on commerce was immediate resulting in an improved operating environment primarily felt in the retail sector.

Back in November 2008 inflation had spiraled to unprecedented levels with prices doubling every 24 hours according to estimates by one respected foreign commentator. Attendant problems in accessing substantial cash sums within a reasonably short period made transactions both difficult and risky to effect. The adoption of the Short Term Emergency Recovery Program (STERP) which is founded on a commitment to establishing fiscal discipline, maintaining a multicurrency monetary framework, eliminating quasi-fiscal activities and accelerating structural reforms is seen to hold promise for the country to attain real positive growth in the future.

Progress towards the realization of the stated objectives is stalling. The banking sector remains constricted by the inability to access foreign lines of credit. Further complicating matters is the failure by parties to the Global Political Agreement (GPA) to resolve outstanding issues to the pact which is compromising government's efforts to re-engage the international community in raising investment capital for the country. The outcome has been a shortage of working capital for industry hence the low levels of capacity utilization apparent further hindering prospects of an early recovery in the economy.

New Developments

It gives me great pleasure to announce that the merger between Plus Financial Holdings Limited, Vanac Investments (Private) Limited and Tobacco Hail Insurance (Private) Limited was successfully concluded with effect from the 1st of December 2008. The merger has resulted in a stronger and diversified Tetrad Holdings Group poised to make a significant contribution in the financial services, property and insurance sectors.

The successful conversion of Tetrad Securities Limited to a Merchant Bank in March 2009 and the subsequent change of name to Tetrad Investment Bank Limited, was both timely and visionary and has enabled the company to enhance both its product range and client base.

Performance Review

The Group achieved a Net Profit before tax of USD 141,978 for the year ending 30 September 2009 as the business units realigned their operations to trade in the multi-currency environment. However total comprehensive income for the year was USD 5,527,686 due to gains on securities held at year end.

The lack of liquidity since the introduction of multi-currency system in February 2009 has hampered performance of the bank and the asset management companies respectively. Tetrad Investment Bank Limited was officially authorized to trade on the 4th of August 2009 and managed to grow its book size to USD9.5million by the end of September 2009.

The bank incurred a loss for the year of USD 236,806. Despite being the newest player in merchant banking sector, the bank has positioned itself within the top tier of merchant banks and continues to play a significant role in the turnaround of the economy as shown by loans to deposit ratio of 78% compared to an industry average of 49%.

The asset management company maintained its market share since the multi-currency system was introduced and increased its funds under management to USD 30,7 million by the end of the financial year. This resulted in the unit achieving a break even position at year end.

Tetrad Properties (Private) Limited realized a profit before tax of USD 442,752 mainly from rental income of USD 830,000 for the year ended 30 September 2009.

The Group's balance sheet stood at USD 45 million buttressed by quality investment properties and listed shares.

Both financial institutions were adequately capitalized as at 30 September 2009 with the merchant bank having verified tier I capital of USD 8,555,914.

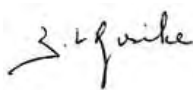
Outlook

Even if the very modest economic growth targets for 2010 are to be realized, uncertainties over policies such as indigenization and mining laws need to be resolved. The signing of the investment agreement with South Africa will be paramount in attracting investment from that country. If current policies are supported with more robust economic measures the present turnaround will not only be sustained but also improve.

Appreciation

It has been a difficult year for the financial industry and the above results would not have been achieved without the dedication and commitment of my fellow directors, management and staff of the Tetrad Group to whom I express my appreciation.

The year ended on a sad note with the loss of our Chairman, Mr. M E Kahari. He served on the board since the inception of Tetrad and made a significant contribution to the success of the Group. He was respected by the shareholders and other stakeholders and his wise counsel will be missed by all. On behalf of the board, management and staff I would like to express my deepest condolences to the Kahari Family



Z. L. Rusike
Acting Chairman
3rd December 2009



The Directors have pleasure in submitting their first annual report, together with audited financial statements for the year ended 30 September 2009

Share Capital

The authorised and issued share capital remained at 450 000 000 shares and 276 113 424 shares of ZWD0.00 each.

Results for Year

	\$
Loss before taxation	141,978
Taxation	(142,376)
Net profit for the year	(398)
Dividend paid	-
Loss after tax and dividends	(398)
Retained profit 30 September 2008	-
Accumulated loss 30 September 2009	(398)

Dividends

There were no dividends paid during the year ended 30th September 2009.

Directorate

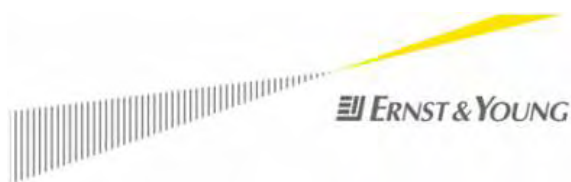
In terms of the Articles of Association, directors hold office for any period approved by the Board, subject to confirmation by members. All directors were appointed in May 2009 for a period of two years.

Auditors

At the forthcoming Annual General Meeting members will be asked to approve the remuneration of Ernst & Young for the year ended 30th September 2009 and re-appoint them as auditors for the following year.

J G Conway
Company Secretary

3 December 2009
Harare



Chartered Accountants (Zimbabwe)
Angwa City
Cnr Julius Nyerere Way/
Kwame Nkrumah Avenue
P.O. Box 62 or 702

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We have audited the accompanying financial statements of Tetrad Holdings Limited and its subsidiaries as set out on pages 5 to 36, which comprise the consolidated statement of financial position at 30 September 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, except for the modifications to the auditors' report and the manner in which we report on the compliance of the financial statements with provisions of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments, as set out in the guidance and recommendations issued jointly by the Public Accountants and Auditors Board, the Zimbabwe Stock Exchange and the Zimbabwe Accounting Practices Board in July 2009. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for adverse opinion on all comparative information; consolidated statements of comprehensive income; consolidated statements of cash flows; and the consolidated statements of changes in equity

Non-compliance with IAS 29 (Financial Reporting in Hyperinflationary Economies) and IAS 21 (The Effects of Foreign Exchange Rates)

The Zimbabwe economy was recognised as being hyperinflationary for purposes of financial reporting. All the comparative information, the consolidated statement of comprehensive income; the consolidated statement of cash flows and the consolidated statement of changes in equity have not been prepared in conformity with International Financial Reporting Standards in that the requirements of IAS 29 and IAS 21 have not been complied with for the following reasons:

- the inability to reliably measure inflation because of the interaction of multiple economic factors which were pervasive to the Zimbabwean economic environment as explained in note 1.2.1.1; and
- the inability to adjust items that are recorded in the currency of a hyperinflationary economy (i.e. the Zimbabwe dollar) into a unit of measure that is current at the remeasurement date as more fully explained in note 1.2.1.2.

Non-compliance with IAS 1: Presentation of financial statements

The Directors have not presented any comparative information as required by IAS 1 because they believe the information will be misleading for reasons stated in note 1.2.1.3.

Adverse opinion on non-compliance with International Financial Reporting Standards on all comparative information, the consolidated statements of comprehensive income, the consolidated statement of cash flows and consolidated statement of changes in equity

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraph, the all the comparative information, the statements of comprehensive income; the statements of cash flows and the statement of changes in equity do not give a true and fair view of the results of the Company's operations and cash flows for the year ended [Insert applicable date] in accordance with International Financial Reporting Standards.

Unqualified opinion on the consolidated statement of financial position

In our opinion, the consolidated and company statements of financial position, in all material respects, give a true and fair view of the financial position of Tetrad Holdings Limited and its subsidiaries at 30 September 2009 in accordance with International Financial Reporting Standards.

Report on legal and regulatory other requirements

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the accounting policies set out in note 1.2, and comply with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments (SI 33/99 and SI 62/96).

In our opinion, the Group has also complied, in all material respects with the guidance issued by the Public Accountants and Auditors Board and the Zimbabwe Accounting Practices Board in July 2009. This guidance was issued to assist preparers of financial statements in converting their financial statements from Zimbabwe Dollars into their new functional currency in a manner that is consistent with the principles of International Financial Reporting Standards, in as far as is practicable, in the Zimbabwean economic environment, at the date of the change of the presentation and/or functional currency.

Emphasis of matter

Without further qualifying our opinion, we draw your attention to Note 1.2.1.1, which along with other matters indicates that the group is operating in an uncertain economic environment.

Fair value determination for transactions, assets and liabilities

The determination of fair values presented in the financial statements is affected by the prevailing economic environment and may therefore be distorted. This may result in significant variations in fair values, depending on factors and assumptions used in the determination of the fair values. Assessment of the appropriateness of this note and the relevant wording has to be considered on an entity by entity basis. The significant assumptions and the estimated uncertainties have been disclosed in Note 1.2.1 of these financial statements.

Ernst & Young
Chartered Accountants (Zimbabwe)
3 December 2009

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED
30 SEPTEMBER 2009



CONSOLIDATED INCOME STATEMENT

	Notes	2009 \$
Interest and similar income	2.1	101,021
Interest expense	2.2	(395,675)
Net interest expense		(294,654)
Fee and commission income	2.3	1,139,144
Net trading income		152,156
Fair value adjustments	4	403,935
Rental income received	3.1	833,299
Dividends received		258
Other operating income	3.2	56,298
Operating income		2,290,435
Operating expenses	5	(2,148,457)
Profit before taxation		141,978
Income tax expense	6	(142,376)
Loss for the year		(398)
Ratios		
Cost to income ratio		93%
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME		
Loss for the year		(398)
Other comprehensive income		
Fair value adjustment on available for sale financial assets		5,812,480
Gains / (losses) on property revaluations		(221,201)
Income tax related to components of other comprehensive income		(63,195)
Other comprehensive income for the year, net of tax		5,528,084
Total comprehensive income for the year, net of tax		5,527,686



ASSETS	Notes	2009 \$
Balances with banks and cash	7	2,478,628
Financial assets held for trading	9	196,954
Loans and advances to customers	8	7,345,161
Investment securities	10	10,687,757
Investment properties	12	18,935,000
Property, vehicles and equipment	14	5,381,142
Intangible assets	15	553,323
Other assets	11	285,637
Total assets		45,863,602
LIABILITIES AND EQUITY		
Other money market deposits	16	9,565,125
Other liabilities	17	248,612
Current tax liabilities		118,233
Deferred tax liabilities	18	1,254,882
Total liabilities		11,186,852
SHAREHOLDERS' EQUITY		
Issued share capital	19	-
Share premium		-
Non-distributable reserve		30,309,274
Available for sale securities reserve		5,754,355
Revaluation surplus		(1,386,481)
Accumulated loss		(398)
Total equity		34,676,750
Total equity and liabilities		45,863,602

Signed on behalf of the board of directors by:

.....
Chairman

3 December 2009
Harare

.....
Director



ASSETS	Notes	2009 \$
Balances with banks and cash	6	420
Financial assets held for trading	8	-
Loans and advances to customers	7	-
Investment securities	9	9,076,411
Due from group companies	12	224,000
Investment properties	11	-
Property, vehicles and equipment	13	-
Intangible assets	14	-
Total assets		9,300,831
LIABILITIES AND EQUITY		
Other money market deposits	15	-
Due to group companies		33,664
Other liabilities	16	-
Income tax liabilities		-
Deferred tax liabilities	17	51,307
Total liabilities		84,971
SHAREHOLDERS' EQUITY		
Issued share capital	18	-
Share premium		-
Non-distributable reserve		4,125,749
Available for sale securities reserve		5,079,355
Revaluation surplus		-
Retained profit		10,756
Total equity		9,215,860
Total equity and liabilities		9,300,831

Signed on behalf of the board of directors by:

.....
Chairman

3 December 2009
Harare

.....
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2009



	Share capital \$	Share premium \$	Available for sale reserve \$	Non distributable reserve \$	Revaluation reserve \$	Accumulated loss \$	Total \$
At 30 September 2009							
Balance at 1 October 2008	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(398)	(398)
Other comprehensive income	-	-	5,812,480	-	-	-	5,812,480
Non-redistributable reserve	-	-	-	30,309,274	-	-	30,309,273
Revaluation deficit	-	-	-	-	(221,201)	-	(221,201)
Deferred tax on revaluation	-	-	(58,125)	-	(1,165,280)	-	(1,223,405)
30 September 2009	-	-	<u>5,812,480</u>	<u>30,309,274</u>	<u>(1,386,481)</u>	<u>(398)</u>	<u>34,676,750</u>

The holding company had no retained earnings.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED
30 SEPTEMBER 2009



	2009
	\$
Cash flow from operating activities	
Profit before tax	141,978
Adjustments for:	
Depreciation	352,207
Profit on disposal of equipment	(1,483)
Fair value adjustments on:	
- Held for trading securities	16,217
- Investment properties	(420,151)
Operating profit before working capital changes	91,734
Advances to customers	(7,345,162)
Investment securities	-
Other assets	(285,637)
Intercompany balances	-
Money market liabilities	9,565,125
Other liabilities	248,612
Cash inflow / (outflow) from operating activities	2,274,672
Taxation	
Corporate tax paid	(21,676)
Cash flow from investing activities	
Purchase of equipment to maintain operations	(440,807)
Purchase of investments	(92,458)
Sale of investments	705,396
Proceeds from disposal of equipment	53,500
Net (outflow) / inflow from investing activities	225,632
Cash flow from financing activities	-
Net cash flow from financing activities	-
Net (decrease) / increase in cash and cash equivalents	2,478,628
Cash and cash equivalents at the beginning of the year	-
Cash and cash equivalents at the end of the year	2,478,628

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1.1 GENERAL INFORMATION

Tetrad Holdings Limited together with its subsidiaries provides financial services, property developments and management, and offers insurance in the tobacco industry. A limited liability company, incorporated and domiciled in Zimbabwe, Tetrad Holdings Limited is the parent company of the following subsidiaries;

Tetrad Investment Bank Limited
TFS Management Company (Private) Limited
Tetrad Properties (Private) Limited
Tetrad Hail Insurance (Private) Limited
Plus Financial Holdings Limited
Multiridge Finance (Private) Limited

The address of its registered office is as follows:

Building No. 5, Arundel Office Park
Norfolk Road
Mount Pleasant
Harare

The consolidated financial statements were approved for issue by the Board of Directors on 3 December 2009.

1.2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The following new and amended IFRS and IFRIC interpretations as of 1 January 2009 were available for early adoption.

- IFRS 7 - Financial Instruments: Disclosures effective 1 March 2009
- IFRS 39 - Financial Instruments: Recognition and measurement
- IAS 32 – Financial Instruments: Presentation effective 1 January 2009
- IFRIC 9 – Embedded Derivatives effective 1 January 2009

The above are not expected to have impact on the financial performance of the group apart from amended IFRS 7 Financial Instruments: Disclosures.

IFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

The amendments to IFRS 7 were issued in March 2009 to enhance fair value and liquidity disclosures.

With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management. Comparative information has been restated although this is not strictly required by the transition provisions of the amendment.

The group will adopt the standard in the financial year ending 30 September 2010. The impact of the revised IFRS 7 could not be reasonably estimated as at 30 September 2009.

IAS 1 Revised Presentation of Financial Statements

The financial statements have been prepared in compliance with IAS 1 Revised that requires the separation of owner and non-owner changes in equity and the company has adopted the single comprehensive income statement.

1.2.1 Basis of preparation and compliance

The consolidated financial statements of the Tetrad Group for the year ended 30 September 2009 are presented in United States dollars which is now the Group's functional currency following the introduction of the multi-currencies other than the Zimbabwean dollar in February 2009. Only those balances that could be reasonably converted to United States Dollars and represented an asset or liability have been recorded as opening balances in the financial statements for the period ending 30th September 2009.

Accounting policies and methods of computation used are consistent in all material respects with those used in prior year except for IAS 1 (Presentation of Financial Statements), IAS 21 (Effects of Change in Foreign Exchange Rates) and IAS29 (Financial Reporting in Hyperinflationary Economies).

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its

1.2.1

judgement in the process of applying the company'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 1.4.

The financial statements are based on the historical cost results as modified by the fair valuation of property plant and equipment, investment properties and certain financial assets

1.2.1.1 Limitations of financial reporting in the general environment prevailing

The uncertainties in the adverse Zimbabwean economic environment during the year have resulted in limitations in financial reporting.

The inflation indices applicable to the Zimbabwe Dollar were not published from 31 July 2008. Estimates by economists, of Zimbabwe Dollar inflation in the period post 31 July 2008 were wide ranging and extremely high (percentages in excess of hundreds of trillions to quadrillions, in some cases). It was impossible to reliably measure inflation in Zimbabwe during this period because of rate of change of inflation on a daily basis was extremely high. Any attempt to measure inflation was subject to various limitations because reliable and timely price data was not available. The inability to reliably measure inflation was also exacerbated by the existence of multiple exchange rates, the use of foreign currency for some transactions and the existence of multiple pricing criteria for similar products based on the mode of settlement.

However, on 29 January 2009 the Monetary and Fiscal authorities authorised the use of multiple foreign currencies for trading in Zimbabwe. This resulted in a change in the functional currency for most entities reporting in Zimbabwe. In accordance with the requirements of International Financial Reporting Standards, entities are required to convert their financial statements into the new functional currency at the date of changeover. The Company has not been able to convert its Zimbabwe Dollar transactions into the new functional currency for reasons explained in Note 1.2.1.2.

As a result of these uncertainties and inherent limitations, the directors advise caution on the use of all comparative information, the statements of comprehensive income, statements of cash flows and statements of changes in equity for decision making purposes. The Directors believe that the statement of financial position that has been presented is a fair reflection of the assets and liabilities of the Company and therefore a fair reflection of the shareholder's equity.

The Directors have assessed the ability of the group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the group to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

1.2.1.2 Non-compliance with IAS 21 (The Effects of Foreign Exchange Rates) in respect of the measurement of all comparative information, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows

The group's functional currency changed during the course of the financial period from Zimbabwe Dollars to United States Dollars. The group has chosen to report all its transactions in United States Dollars because it is the new functional currency applicable to all current transactions.

The group has not been able to comply with the requirements of IAS 21 because this standard requires that all transactions that are in the currency of a hyperinflationary economy to be adjusted to a unit of measure current at the measurement date before conversion to an alternative presentation currency. The group has not been able to adjust its Zimbabwe Dollar transactions to comply with IAS 29 as more fully explained in note 1.2.1.1.

1.2.1.3 Comparative information

The Directors have not presented comparative information because they believe that it will be misleading. Due to the prevailing economic environment in the previous year as described in note 1.2.1.1, it is not possible to convert financial statements into United States Dollars in a manner consistent with IAS 21 and IAS 29 as described in notes 1.2.1.1 and 1.2.1.2.

1.2.2 Basis of consolidation and business combinations

The consolidated financial statements comprise the financial statements of Tetrad Holdings Limited and its subsidiaries as at 30 September 2009. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

On 1 December 2008, the group was involved in a scheme of reconstruction that resulted in the formation of Tetrad Holdings Limited which wholly owns Tetrad Investments Bank Limited, TFS Management Company Limited, Multiridge Finance Limited, Tetrad Properties Limited and Tetrad Hail Insurance Limited. The disclosure requirements of the merger were not fully met as all amounts were reduced to nil with the disuse of the Zimbabwe Dollar.

1.2.3 Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

1.2.4 Foreign currency transactions

(a) Functional and presentation currency

Tetrad Holdings and its subsidiaries adopted the United States Dollar as their functional currency as most transactions are denominated in United States dollars and this has become the currency of the primary economic environment in Zimbabwe. IFRS's require that items included in the financial statements of the company be measured using the currency of the primary economic environment in which the entity operates being, 'the functional currency'.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

1.2.5 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method. The effective interest method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees (excluding establishment fees) and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1.2.6 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the company retained no part of the loan package for itself or retained a part at the same effective interest rate for other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party - such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognised on completion of the underlying transaction. Portfolio and other management advisory and

1.2 SIGNIFICANT ACCOUNTING POLICIES - continued**1.2.6 Fee and commission income - continued**

service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investments funds are recognised rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Establishment fees on loans and advances are recognised as revenue when it is probable that the economic benefits associated with the fees will flow to the group. The fees are therefore recognised at the inception of the respective loan or advance agreement.

1.2.7 Rental income

Revenue includes rental income, service charges and management charges from properties, and income from property trading. Revenue is recognized on an accrual basis and is shown net of value added tax.

1.2.8 Financial assets

The company classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition. Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade-date - the date on which the company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished - that is, when the obligation is discharged, cancelled or expires.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognized in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

1.2.8.1 Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

1.2.8.2 Due from banks and loans and advances to customers

`Due from banks` and `Loans and advances to customers` are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are entered into with the intention of short-term resale and are not classified as `Financial assets held for trading`, designated as `Financial investment-available-for-sale` or `Financial assets designated at fair value through profit or loss`. After initial measurement at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in `Interest and similar income` in the income statement. The losses arising from impairment are recognised in the income statement in `Credit loss expense`.

1.2.8.3 Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. Were the company to sell other than an insignificant amount held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

1.2 SIGNIFICANT ACCOUNTING POLICIES - continued

1.2.8.4 Available-for-sale

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held to maturity or loans and advances. They include equity investments, investments in mutual funds and money market and other debt instruments.

After initial measurement, available for sale investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the 'Available-for-sale-reserve'. When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in 'Other operating income' or 'Other operating expenses'. Where the Bank holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognised in the income statement as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in 'Impairment losses on financial investments and removed from the available-for-sale reserve.

1.2.9 Derecognition of financial instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

1.2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.2.11 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts due to other bank, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repost') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

1.2.12 Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognized in equity and not in the income statement.

1.2 SIGNIFICANT ACCOUNTING POLICIES - continued

1.2.13 Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to extent that it is probable that the temporary differences will reverse in the foreseeable future taxable profit will be available.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if legally enforceable rights to set off tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same tax authority.

1.2.14 Value Added Tax

Revenues, expenses and other assets are recognised net of the amount of value-added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value-added tax included. The net amount of value-added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the balance sheet.

1.2.15 Impairment of Financial Assets

1.2.15.1 Assets carried at amortised cost

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the group about the following loss events:

1.2 SIGNIFICANT ACCOUNTING POLICIES - continued

1.2.15.1 Assets carried at amortised cost - continued

- (i) Significant financial difficulty of the issuer or obligor;
- (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) The group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (iv) The disappearance of an active market for that financial asset because of financial difficulties; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group or financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - Adverse changes in the payment status of borrowers in the group; or
 - National or local economic conditions that correlate with defaults on the assets in the company.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. Whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payments status, or other factors indicative of changes

1.2 SIGNIFICANT ACCOUNTING POLICIES - continued**1.2.15.1 Assets carried at amortised cost - continued**

in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

1.2.15.2 Assets carried at fair value

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value or the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

1.2.16 Property, plant and equipment

Land and buildings and motor vehicles are initially shown at cost, and subsequently at fair value based on periodic, at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings and motor vehicles.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same assets are charged against other reserves directly in equity; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	25 - 40 years
Computer equipment	3 years
Motor vehicles	5 years
Office furniture and equipment	5 years

1.2 SIGNIFICANT ACCOUNTING POLICIES - continued

1.2.17 Intangible assets

The group's intangible assets include the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the group. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised over the useful economic life of three years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortisation of computer software is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as of three (3) years

1.2.18 Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in its use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to date of change in use.

1.2.19 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.2.20 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition; including: cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

1.2.21 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The merchant bank is controlled by Tetrad Holdings Limited which owns 100% of the ordinary shares.

1.2.22 Provisions

Provisions for restructuring costs and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

1.2 SIGNIFICANT ACCOUNTING POLICIES - continued

1.2.22 Provisions - continued

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure 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.

1.2.23 Financial liabilities

Financial liabilities are recognised initially at fair value net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the financial liability using the effective interest method.

1.2.24 Share capital

1.2.24.1 Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

1.2.24.2 Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt within the subsequent events note.

1.2.25 Fiduciary activities

The company commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the company.

1.2.26 Retired benefit obligations

The company provides retirement benefits to all eligible employees through a defined contribution plan as well as the National Social Security Authority. Contributions to this fund are recognised as an expense in the period to which the employees' service relates. The cost of retirement benefits applicable to the National Social Security Authority is determined by the systematic recognition of legislated contributions.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity.

The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plan, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The company and its employees contribute to the National Social Security Authority Scheme. This is a social security scheme which was promulgated under the National Social Security Act. The company obligations under the scheme are limited to specific contributions legislated from time to time

1.2.27

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's surplus office, manufacturing buildings and residential properties. These non-cancellable leases have remaining terms of between one and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

1.3 FINANCIAL RISK MANAGEMENT

1.3.1

Strategy in using financial instruments

By their nature, the company's activities are principally related to the use of financial instruments.

The group trades in financial instruments where it takes position traded and over-the-counter instruments to take advantage of short-term-market movements in equities and bonds and interest rates. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

1.3.2

Credit risk

The group takes on exposure to credit risk, which is the risk that counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date.

Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the group's portfolio, could result in losses that are different from those provided for at the balance sheet date.

Management therefore carefully manages its exposure to credit risk.

The group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

1.3.3

Market risk

The group takes on exposure to market risks. Market risks arise from open positions in interest rates which are exposed to general and specific market movements. The group applies a 'value at risk' methodology to estimate the market risk of position held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis.

1.3.4

Cash flow and fair value interest rate risk

Interest sensitivity of assets, liabilities and off balance sheet items - re-pricing analysis

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily.

1.3.5

Liquidity risk

The group is exposed to daily calls on its available cash resources from loan drawn-downs. The group does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The group sets limits on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

1.3.6

Fair values of financial assets and liabilities

1.3.6.1 Cash and bank balances

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

1.3 FINANCIAL RISK MANAGEMENT - continued

1.3.6.2 Loans and advances to customers

Loans and advances are net of provisions of impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rate to determine fair value.

1.3.6.3 Financial assets or liabilities designated at fair value through profit or loss

Financial assets or liabilities designated at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value are recorded in `Net gain or loss on financial assets and liabilities designated at fair value through profit or loss`. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in `Other operating income` when the right to the payment has been established.

1.3.6.4 Available-for-sale financial investments

After initial measurement, available for sale investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the `Available-for-sale reserve`. When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in `Other operating income` or `Other operating expenses`. Where the company holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate.

Dividends earned whilst holding available-for-sale financial investments are recognised in the income statement as `Other operating income` when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in `Impairment losses on financial investments and removed from the available-for-sale reserve`.

1.3.7 Capital management

The company's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the group operate;
- To safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholder; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the group's management, employing techniques based on best practice guidelines developed by the Basel Committee.

The company's regulatory capital as managed by its central group treasury is divided into two tiers;

- **Tier 1 capital;** share capital (net of any book values of the treasury shares), minority interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reverses created by appropriations or retained earnings. The book value of goodwill is deducted and arriving at Tier 1 capital; and
- **Tier 2 capital;** qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.
- **Tier 3 capital;** capital allocated for market and operational risk.

Investment in associates is deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

1.4 CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments 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.

1.4 CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES - continued**1.4.1 Impairment losses on loans and advances**

The company reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

1.4.2 Impairment of available-for-sale equity investments

The company determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the group evaluates among other factors, the normal volatility in share price.

In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the invested, industry and sector performance, changes in technology and operational and financing cash flows.

1.4.3 Held-to-maturity investments

The company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the group evaluates its intention and ability to hold such investments to maturity. If the group fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

1.4.4 Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

1.4.5 Revaluation of assets**Revaluation of buildings**

The fair value of the group's properties at 30th September 2009 has been arrived at on the basis of an independent professional valuation carried out by Graham and Douglas on an open market basis. The valuations are based on conservative estimates where market values are the amount estimated for which the property could be exchanged between a willing buyer and willing seller, knowledgeably without compulsion. The valuator paid attention to the state of repair and condition of the property, but no structural survey was made.

The total value of buildings was pegged at USD22,815 833.

Revaluation of Motor Vehicles

The motor vehicles were revalued at 30th September 2009 by directors based on the insured values taking into account the condition, mileage and year of purchase of the vehicles.

Motor vehicles were ascertained to have a value of USD916, 322.

1.4.6 Investment in Tobacco Sales Limited and Propak Investments (Private) Limited

The Group holds an effective 32% in Tobacco Sales Limited, a company listed on the Zimbabwe Stock Exchange and 37% in Propak Investments (Private) Limited, a packaging company. The investment has been treated as "available for sale" and not equity accounted for, as required by IAS 28 "Investments in Associates". The directors believe that this treatment is inline with the Group's strategy with regards to these investments.

	2009 \$
2 INTEREST AND SIMILAR INCOME	
2.1 Interest and similar Income	
Interest from loans and advances	100,224
Other	797
	<u>101,021</u>
2.2 Interest and similar expense	
Bank and customers	<u>395,675</u>
2.3 Fee and commission income	
Arrangement fees	627,580
Management fees	480,118
Other fee income	31,446
	<u>1 139 144</u>
3.1 Rental income received	
Industrial	321,415
Office	308,093
Retail	126,509
Residential	77,282
Total rental income	<u>833,299</u>
3.2 OTHER OPERATING INCOME	
Profit / (loss) on disposal of equipment	(1,483)
Other	57,782
	<u>56,298</u>
4 OPERATING EXPENSES	
Staff costs (note 4.1)	533,071
Administrative	1,210,668
Depreciation of property, vehicles and equipment	352,207
Audit fees	-
- current period	5,361
- prior period under provision	47,150
	<u>2,148,457</u>
4.1 Staff costs	
Wages, salaries and profit share	334,536
Social security costs	17,448
Pension costs - defined contribution	-
Directors' emoluments	
- fees	6,703
- other	-
Staff other	174,383
	<u>533,071</u>
5 FAIR VALUE ADJUSTMENTS	
Investment properties	420,151
Financial assets held for trading	(16,217)
	<u>403,935</u>

		2009
		\$
6	INCOME TAX	
6.1	The components of income tax expense for the year ended 30 September 2009 are:	
	Income tax	139,909
	Withholding tax on shares	2,467
	Deferred income tax expense	-
		<u>142,376</u>
6.2	Reconciliation of tax charge	
	Tax rate	30.9%
	Adjustment for:	
	Taxed at special rates	64.4%
	Effective tax rate	<u>100.3%</u>
	Subsequent to the balance sheet date, the Minister of Finance reduced the income tax rate from 30% to 25% with effect from January 2010. The change will not affect the results of the Group for the year ended 30 September 2009.	
7	BALANCES WITH BANKS AND CASH	
	GROUP	
	Balances with Reserve Bank	492,756
	Notes and coins	196,976
	Nostro balances	1,113,917
	Other bank balances	674,979
		<u>2,478,628</u>
	COMPANY	
	Balances with bank	420
8	LOANS AND ADVANCES	
	Loans and advances	7,439,161
	Less: allowance for losses on loans and advances	(94,336)
		<u>7,345,162</u>
	Maturity profile on loans and advances	
	Due within 0-30 days	2,324,047
	Due between 30-90 days	4,965,104
	Due between 90-180 days	56,010
	Due between 180-360 days	-
	Due after 360 days	-
		<u>7,345,161</u>
	Sectoral analysis on loans and advances	
	Agricultural	748,601
	Distribution	841,663
	Financial services	1,251,250
	Individual and household	470,154
	Manufacturing	1,225,193
	Mining	1,608,830
	Tourism	1,199,471
		<u>7,345,161</u>

		2009
		\$
9	FINANCIAL ASSETS HELD FOR TRADING SECURITIES	
	Equity securities - at fair value:	
	Listed	196,954
	Unlisted	-
	Total securities held for trading	<u>196,954</u>
	The movement in investment securities may be summarised as follows:	
	At 1 October 2008	120,713
	Additions	92,458
	Disposals (sale and redemption)	-
	Gains from changes in fair value	(16,217)
	At 30 September 2009	<u>196,954</u>
10	INVESTMENT SECURITIES	
	10.1 Securities available-for-sale	
	GROUP	
	Equity securities - at fair value:	
	Listed	10,457,757
	Unlisted	250,000
	Total securities available-for-sale	<u>10,687,757</u>
	The movement in investment securities may be summarised as follows:	
	At 1 October 2008	5,580,673
	Additions	-
	Disposals (sale and redemption)	(705,396)
	Gains from changes in fair value	5,812,480
	At 30 September 2009	<u>10,687,757</u>
	COMPANY	
	Equity securities - at fair value:	
	Listed	8,826,411
	Unlisted	250,000
	Total securities available-for-sale	<u>9,076,411</u>
	The movement in investment securities may be summarised as follows:	
	At 1 October 2008	4,125,749
	Additions	-
	Disposals (sale and redemption)	(180,000)
	Gains from changes in fair value	5,130,662
	At 30 September 2009	<u>9,076,411</u>
11	OTHER ASSETS	
	Tennat receivables	50,981
	Management fees due from clients	60,050
	Directors' loans	43,199
	Staff loans and advances	84,677
	Prepayments	25,793
	Other	20,935
		<u>285,637</u>

12 Investment Properties

Opening balance	18,514,849
Fair value adjustments	420,151
Closing balance at 30 September 2009	18,935,000

The fair value of the group's investment properties at 30 September 2009 has been arrived at on the basis of a professional valuation carried out by Graham and Douglas on an open market basis. The valuations are based on conservative estimates where the market values are the amount estimated for which the property could be exchanged between a willing buyer and a willing seller, knowledgeable, without compulsion. The valuator paid attention to the state of repair and condition of the property, but no structural survey was made.

The investment properties portfolio valued above consists of the following lettable space as at 30 September 2009:

Category	Lettable space (m2)	%
Industrial	34,418	63%
Office	14,109	26%
Retail	3,154	6%
Residential	2,529	5%
	54,210	100%

The investment portfolio generated the following rentals:

Rental income by sector	-
Industrial	318,515
Office	308,093
Retail	126,509
Residential	80,182
Total rental income	833,299

13 DUE FROM GROUP COMPANIES

COMPANY

	Due to	Due from	Balance
Tetrad Investment Bank Limited	33,664	224,000	190,336

The intra group transactions arise mainly from operating expenses which are recoverable on a monthly basis.

14 PROPERTY, VEHICLES AND EQUIPMENT

GROUP	Land and	Motor	Computer	Office	Total
	buildings	vehicles	equipment	furniture &	
2009	\$	\$	\$	\$	\$
Cost					
At 1 October 2008	3,607,390	1,282,350	512,093	165,410	5,567,243
Additions	230,521	168,000	24,125	18,161	440,807
Revaluation	94,393	(315,595)	-	-	(221,201)
Disposals	-	(53,500)	-	-	(53,500)
At 30 September 2009	<u>3,932,305</u>	<u>1,080,905</u>	<u>536,218</u>	<u>183,571</u>	<u>5,733,349</u>
Accumulated depreciation					
At 1 October 2008	-	-	-	-	-
Charge for the year	51,472	164,933	114,154	21,648	352,207
At 30 September 2009	<u>51,472</u>	<u>164,583</u>	<u>114,154</u>	<u>21,648</u>	<u>352,207</u>
Net book value at 30 September 2009	<u>3,880,833</u>	<u>916,322</u>	<u>422,064</u>	<u>161,923</u>	<u>5,381,142</u>

		2009 \$
15	INTANGIBLE ASSETS	
	Computer software	
	Opening carrying amount	-
	Purchase of software	553,625
	Amortisation for the year	(302)
		<u>553,323</u>
16	OTHER MONEY MARKET LIABILITIES	
	16.1 Demand deposits	1,934,480
	Time deposits	7,630,645
		<u>9,565,125</u>
	16.2 Deposit maturity analysis	
	Due within 0-30 days	7,411,410
	Due between 30-90 days	2,153,715
	Due between 90-180 days	15,890
		<u>9,565,125</u>
	16.3 Sectoral analysis on money market liabilities	
	Agricultural	1,975,637
	Communication	15,000
	Distribution	317,025
	Financial services	1,487,143
	Individual and household	2,079,949
	Manufacturing	271,351
	Mining	96,729
	Services	3,322,292
		<u>9,565,125</u>
17	OTHER LIABILITIES	
	Employee entitlements	79,169
	Tenant payables	6,771
	Creditors and other accounts payable	162,673
		<u>248,612</u>
18	DEFERRED TAX	
	GROUP	
	Reconciliation	
	The movement on the deferred tax account is as follows:	
	At beginning of year	28,905
	Capital reserve charge	1,165,280
	Tax on revaluation of shares	58,125
	Income statement charge	2,572
	At end of year	<u>1,254,882</u>
	Analysis	
	The deferred tax at year end arises on:	
	Property plant and equipment	1,254,882
		<u>1,254,882</u>
	COMPANY	
	The movement on the deferred tax account is as follows:	
	Tax on revaluation of shares	51,307
	At end of year	<u>51,307</u>

	2009 \$
19 SHARE CAPITAL	
19.1 Authorised	
450 000 000 Ordinary shares of ZWD0.00 each	-
19.2 Issued and fully paid	
276 113 424 Ordinary shares of ZWD0.00 each	-
The unissued shares are under the indirect control of the directors subject to the limits of the Articles of Association. There was no change to the number of authorised and issued share capital.	
19.3 Capital Adequacy - Tetrad Investment Bank Limited	
Share capital	-
Share premium	-
Non redistributable reserve	11,208,109
Retained profit	(236,806)
Less: Tier 1 capital allocated for market and operations risk	(475,901)
Less: Tier 1 capital allocated for properties and share price movements	(1,939,488)
Tier 1 capital	8,555,914
Revaluation reserve	172,783
Non-distributable reserve	-
Tier 2 capital (subject to limits as per Banking regulations)	172,783
Market risk capital	-
Operational risk capital	475,901
Haircuts on properties and quoted shares	1,939,488
Tier 3 capital	2,415,389
Total capital base	11,144,086
Total risk weighted assets (RWAs)	13,267,789
Tier 1 ratio	64.49%
Tier 2 ratio	1.30%
Tier 3 ratio	18.20%
Total capital adequacy ratio	83.99%
20 CONTINGENT LIABILITIES AND COMMITMENTS	
The company had commitments in the form of loan limits granted but not yet advanced. The tenures and rates applied are negotiated at the point of draw down.	
Loan limits not yet utilised	1,789,834

21 RELATED-PARTY TRANSACTIONS

Tetrad Holdings Limited is the holding company of Tetrad Investment Bank Limited, TFS Management Company (Private) Limited, Multiridge Finance (Private) Limited, Plus Financial Holding Limited, Tetrad Properties (Private) Limited and Tetrad Hail Insurance (Private) Limited, which are all wholly owned subsidiaries

A number of transactions are entered into with related parties and between the intra-group companies in the normal course of business. These include loans, deposits and commissions and charges.

The volumes of related party transactions, outstanding balances at the year end, and relating expense and income for the year are as follows:

The following transactions were carried out with related parties:

(a) Purchases / sales of goods and services

Purchase of goods:

Purchase of services:

- Group companies (management services)

	2009
	\$
	110,665
	-
	<u>110,665</u>
	48,315
	51,438
	-
	-
	-
	<u>99,753</u>
	10,486
	<u>10,486</u>

Goods and services are bought from associates on normal commercial terms and conditions. The transactions relate to management services between Tetrad Investment Bank limited and Tetrad Properties Limited, both wholly owned subsidiaries of Tetrad Holdings Limited.

(b) Key management compensation

Salaries and other short-term employee benefits

Termination benefits

Post-employment benefits

Other long-term benefits

Share-based payments

*(c) Year-end balances with group companies are included in note 8**(d) Included in loans and advances*

- Loans and advances

The balance relates to a loan given to Mr. A. Kurauone an independent non executive director of TFS Management Company (Private) Limited, a wholly owned subsidiary of Tetrad Holdings Limited. The loan was at a market rate and a tenure of 60 days. A general provision of 1% was applicable to all performing loans such as this one.

		2009
		\$
21	RELATED-PARTY TRANSACTIONS - continued	
	<i>(d) Loans to related parties</i>	
	Loans to directors and key management of the company (and their families)	
	Beginning of year	-
	Loans advanced during the year	45,399
	Loan repayment received	(2,200)
	Interest income	-
	End of year	<u>43,199</u>
	All the loans advances to directors are for a three year term at an interest rate of 0% No provision has been required for 2009 for the loans made to directors.	
22	FUNDS UNDER MANAGEMENT - NOMINEE BALANCE SHEET	
	TFS Management Company provides asset management services to pension funds, trusts, institutions, companies and individuals whereby it holds, places and manages funds on behalf of clients. The company receives management fees for providing these services. Funds under management are not assets of the company and are not recognised on the balance sheet. The company is not exposed to any credit risk relating to funds under management.	
	Unit trust funds	8,391,359
	Portfolio management funds	<u>22,404,714</u>
		<u>30,796,073</u>
	Represented by	
	Cash and call deposits	517,990
	Quoted equities	27,537,681
	Unquoted equities	390,402
	Properties	2,350,000
		<u>30,796,073</u>
23	DIVIDEND	
	There was no dividend payment during the year ended 30 September 2009	

24 PENSION AND RETIREMENT ARRANGEMENTS**Defined contribution fund**

The group operates a defined contribution plan pension scheme. A board of trustees administers the fund. All full time and permanent employees are eligible for membership. The plan is funded by agreed fixed rates of contribution by the companies in the group and by the eligible employees.

The fair value of the pension fund at 30 September 2009 stood at \$211 748.

National Social Security

This is separately funded scheme that was established under the Act of 1989. The company contributes 4% of the pensionable emoluments of eligible employees per month per employee.

25 MINIMUM CAPITAL REQUIREMENTS

The Governor of the RBZ indicated the new capital requirements for financial institutions in a statement dated 12 November 2008. The minimum capital for Merchant Banks is Ten million United States dollars while that of Asset Management Companies is Five hundred thousand United States dollars. The financial institutions are to comply with 50% by 30 September 2009 and 100% by 31 March 2010. The two banking subsidiaries had exceeded their capital requirements as at 30 September 2009.

26 CAPITAL ADEQUACY

The shareholders' funds of Tetrad Investment Bank Limited are well in excess of the minimum capital requirements set by the Reserve Bank of Zimbabwe. The board and management are confident that they will continue to maintain adequate capital levels in line with the size of the operations of the company are in accordance with the guidelines set by the Reserve Bank of Zimbabwe. Furthermore, the holding company stands ready to inject more capital into the subsidiary companies to ensure that they remain adequately capitalized in the current harsh operating environment.

27 RISK MANAGEMENT

Successful risk evaluation and management is critical to the success of the organization. To enhance risk management oversight, the group boards set up four Board Committees namely Risk and Compliance, Assets and Liability Committee ('ALCO'), Information Technology ('IT') Steering and Audit Committees to help them have effective oversight on risk management in the group. The principal risk areas are identified as counterparty or settlement risk, liquidity risk, interest rate risk, operational risk, regulatory risk and strategic risk.

The first three of these risk areas are managed by ALCO which is a board committee that is chaired by an independent non-executive director. The Committee agrees appropriate strategies, guidelines and exposure limits taking into account economic fundamentals and the impact of micro and macro policies on the markets. The financial standing of trading counterparties is reviewed on a periodic basis and their limits are adjusted accordingly. Interest rate volatility is mitigated through the use of limits on mismatch levels by ALCO and adherence to these, as well as efficient matching of investments with deposits, where this is possible. The Board Risk and Compliance Committee has overall responsibility of enhancing the group boards' oversight on identification, measurement controlling and monitoring the key risks that Tetrad faces in its operations. The Committee is chaired by an independent non-executive director and reports on all key risks to the boards on a quarterly basis.

27.1 Liquidity risk

This is the risk that the company will be unable to meet obligations as they fall due or only be able to meet liquidity commitments at increased costs because of inability to liquidate assets or obtain adequate funding. The macro economic environment may increase this risk, resulting in unmanageable mismatches between assets and liabilities.

Liquidity risk in the company is managed through ALCO, which also has its oversight through the Treasury Strategy Committee which meets weekly to map liquidity and interest rate risk strategies within the guidelines of ALCO. Prudent cash-flow management techniques are used to monitor any maturity mismatches and corrective action is taken timeously.

The trading counterparties are closely monitored in order to minimize counterparty risk associated with a market that has witnessed a very volatile year.

27.2 Operational risk

Operational risk is the risk of direct and indirect loss to the company due to deficiencies or errors in the bank's internal operations, which may be attributable to employees, the organization, control routines, processes or technology, or due to external events and relations.

This risk is managed as part of routine operations by a system of internal controls requiring segregation of duties, training programs and internal audit reviews. Internal audit and compliance also monitor this risk, and audit reviews. Internal audit and compliance also monitor this risk, and the management committee together with divisional and departmental heads augment management of operational risk. The IT Steering Committee has oversight on information systems management and guides the planning, management and monitoring of all issues pertaining to information technology, both operational and strategic and also manages the disaster recovery capacity of the group.

The Board Risk and Compliance Committee also has oversight on operational risk through monthly and quarterly risk reports prepared by the Risk and Compliance department.

27 RISK MANAGEMENT - continued

27.3 Market risk

Market risk is the risk of potential negative impact on earnings as a result of unfavorable changes in the market value of assets and liabilities, resulting from movements in market prices. Market risk oversight rests with ALCO and Risk and Compliance Committees and is managed through the treasury Strategy Committee within the guidelines of ALCO and Risk Committees as well as Reserve Bank of Zimbabwe guidelines.

Policies for the management of the market risk are established by the board, which in turn delegates to the group's ALCO and Risk and Compliance Committees so that they monitor the adherence to policies and where necessary recommend changes of policy to the board.

27.4 Interest rate risk

This is the risk of loss of earnings and capital due to adverse movements in interest rates. To maximize profitability, the group's objective is to manage the mismatch of its assets and liabilities in line with set ALCO limits. ALCO and Risk Committees have oversight over interest rate risk management through the treasury strategy committee.

The table below shows the group's exposure to interest risks. It includes the group's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	0-30 Days	31-60 Days	61-90 Days	91-365 Days	Non-interest bearing	Total
Assets	5,533,171	4,245,346	45,272	-	35,981,686	45,805,475
Total equity	-	-	-	-	34,676,749	34,676,749
Liabilities	6,353,131	2,324,687	866,323	20,983	1,563,602	11,128,726
Interest repricing gap	(819,960)	1,920,659	(821,051)	(20,983)	(285,665)	-
Shock Levels						
5%	(3,416)	9,172	3,495	6,502		
20%	(13,666)	36,689	13,982	26,010		
-5%	3,416	(9,172)	(3,495)	(6,502)		
-20%	13,666	(36,689)	(13,982)	(26,010)		

Included in non-interest bearing assets and liabilities are equities, investment securities, investment properties, property and equipment and deferred tax liabilities.

27.5 Regulatory and compliance risk

This is the risk that Tetrad does not comply with applicable rules, laws and regulations as well as supervisory requirements, as a result suffering penalty. The compliance officer as well as internal audit performs periodic and continuous reviews to monitor this risk. Adequate compliance policies and procedures have been put in place by the boards to effectively manage this risk.

27.6 Legal risk

Legal risk is the risk that a transaction or contract cannot be consummated because of some legal barrier such as inadequate documentation, a regulatory prohibition on a specific counter-party, and the non-enforceability of contracts such as netting and collateral arrangements in bankruptcy. The company secretary with the aid of the group legal advisers maintains and approves all existing and new legal documents for ensuring compliance with statutory laws and regulatory guidelines.

27.7 Exchange rate risk and disclosures

Foreign exchange risk is the risk to earnings or ultimately to capital arising from movements in foreign exchange rates. The bank makes use of dealer and counter-party position limits as the basic management control tool for foreign exchange risk. There are also set ALCO benchmarks and regulatory requirements within which treasury is required to operate.

Apart from the trading currency, the group's only exposure to foreign exchange rate risk at 30 September 2009 was to the South African Rand. All the group's South African Rand liabilities were fully matched by assets which eliminated the risk.

27.8 Fiduciary Risk

Risk arising from factors such as failure to maintain safe custody of a clients assets and negligence in the management of assets on behalf of the clients. The group manages clients assets in accordance with all set regulatory guidelines and the groups own internal controls and procedures.

28 DISCLOSURE OF ON-SITE EXAMINATION AND EXTERNAL CREDIT RATINGS

28.1 Global Credit Rating Company - External Credit Ratings

Security Class	Rating Scale	Currency	Rating	Date
Long term	National	US \$	BBB-	Sep-09
Long term	National	Zim \$	BBB-	Sep-08
Long term	National	Zim \$	BBB-	Sep-07

Long-term Investment Rating Scale

BBB-Adequate protection factors and considered sufficient for prudent investment. However, there is considerable variability in risk during economic cycles.

28.2 RESERVE BANK OF ZIMBABWE - ON SITE EXAMINATION RATINGS
TETRAD HOLDINGS LIMITED

The last RBZ on-site examination for the Tetrad Group was conducted in September 2006 using financial information as at 31 August 2006. The ratings then were as follows;

Composite Rating as at 31 August 2006

Examination Ratings	Examination as at 31 August 2006
Composite Rating	3

The composite rating system uses a rating scale of 1 - 5 where '1' is strong, '2' is satisfactory, '3' is fair, '4' is weak and '5' is critical.

Summary of Risk Assessment System (RAS) (as at 31 August 2006.)

RAS Component	Latest RAS Ratings
Overall inherent Risk	Moderate
Overall Risk Management Systems	Weak
Overall Composite Risk	Moderate
Direction of Overall Composite Risk	Increasing

Summary Risk Matrix (as at 31 August 2006.)

Type of Risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit	Moderate	Acceptable	Moderate	Stable
Liquidity	Moderate	Weak	Moderate	Increasing
Foreign Exchange	Low	Acceptable	Low	Stable
Interest Rate	Moderate	Weak	Moderate	Increasing
Strategic	High	Weak	High	Increasing
Operational	High	Weak	High	Increasing
Legal and Compliance	High	Acceptable	High	Increasing
Reputation	Low	Acceptable	Low	Stable
Overall	Moderate	Weak	Moderate	Increasing

TETRAD INVESTMENT BANK LIMITED

Summary of CAMELS Ratings (as at 31 August 2006)

Camels Component	Latest Risk Based Supervision Ratings
Capital Adequacy	2
Asset Quality	2
Management	4
Earnings	2
Liquidity	3
Sensitivity To Market Risk	4
Composite Rating	3

Summary of Risk Assessment System (RAS) (as at 31 August 2006.)

RAS Component	Latest RAS Ratings
Overall inherent Risk	Moderate
Overall risk Management Systems	Weak
Overall Composite Risk	Moderate
Direction of Overall Composite Risk	Increasing

Summary Risk Matrix (as at 31 August 2006.)

Type of Risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit	Moderate	Acceptable	Moderate	Stable
Liquidity	Moderate	Weak	Moderate	Increasing
Foreign Exchange	Low	Acceptable	Low	Stable
Interest Rate	Moderate	Weak	Moderate	Increasing
Strategic	High	Weak	High	Increasing
Operational	High	Weak	High	Increasing
Legal and Compliance	High	Acceptable	High	Increasing
Reputation	Low	Acceptable	Low	Stable
Overall	Moderate	Weak	Moderate	Increasing

TFS MANAGEMENT COMPANY (PRIVATE) LIMITED

Summary of CEFM Ratings (as at 31 August 2006.)

CEFM is an acronym for Capital, Earnings, Funds under Management and Management. The CEFM rating system uses a rating scale of 1 - 5, where '1' is strong, '2' is satisfactory, '3' is fair, '4' is weak and '5' is critical.

Camels Component	Latest Risk Based Supervision Ratings
Capital	2
Earnings	2
Funds under Management	3
Management	3
Composite Rating	2

Summary of Risk Assessment System (RAS) (as at 31 August 2006.)

RAS Component	Latest RAS Ratings
Overall inherent Risk	Moderate
Overall risk Management Systems	Acceptable
Overall Composite Risk	Moderate
Direction of Overall Composite Risk	Stable

Summary Risk Matrix (as at 31 August 2006.)

Type of Risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Strategic	Moderate	Acceptable	Moderate	Increasing
Operational	High	Acceptable	Moderate	Increasing
Legal and Compliance	Moderate	Weak	Moderate	Stable
Reputation	Low	Acceptable	Low	Stable
Financial	High	Acceptable	Moderate	Stable
Overall	Moderate	Acceptable	Moderate	Stable

KEY

Composite Ratings

Composite rating '1' 'Strong'

Banking institutions in this group are sound in every respect and are most capable of withstanding the vagaries of business conditions and are resistant to outside influences such as economic instability in their trade area. They are in substantial compliance with laws and regulations and exhibit the strongest performance and risk management practices relative to their size, complexity and risk profile and give no cause for supervisory concerns.

Composite rating '2' 'Satisfactory'

Banking institutions in this group are fundamentally sound and are capable of withstanding business fluctuations and are in substantial compliance with laws and regulations. Overall risk management practices are satisfactory relative to their size, complexity and risk profile and as a result, supervisory response is informal and limited.

Composite rating '3' 'Fair'

Banking institutions in this group exhibit some degree of supervisory concern in one or more of the component areas and are less capable of withstanding business fluctuations and are vulnerable to outside influences.

Composite rating '4' 'Weak'

Banking institutions in this group generally exhibit unsafe and unsound practices or conditions. There are serious financial or managerial deficiencies that result in unsatisfactory performance. Failure is a distinct possibility if the problems and weaknesses are not satisfactorily addressed and resolved.

Composite rating '5' 'Critical'

Banking institutions in this group exhibit extremely unsafe and unsound practices or conditions and are of greatest supervisory concern. Immediate outside or other help is needed if the financial institution is to be viable. Institutions in this category pose a significant risk to the deposit insurance fund.

Overall Composite Risk

- Low risk :** Internal controls and risk management systems are strong and effectively mitigate much of the risks.
- Moderate risk :** Assigned to a moderate aggregate risk where the aggregate risk management systems appropriately mitigate risk. For a low aggregate risk, significant weaknesses in the risk management system may result in a moderate overall composite risk assessment.
- High risk :** The risk management systems do not significantly mitigate its high aggregate risk. Thus, a financial loss might occur that would have a significant negative impact on the BI's overall condition.

Direction of overall composite risk

- Increasing :** based on current information composite risk is expected to increase in the next 12 months
Decreasing : based on current information composite risk is expected to decrease in the next 12 months
Stable : based on current information composite risk is expected to be stable in the next 12 months

Level of Inherent Risk

- High :** functional area is significant or positions are large in relation to the banking institution's resources, where the volume of transactions, or where the nature of the functional area is inherently more complex than normal.
Moderate : positions are average in relation to the banking institution's resources and losses could be absorbed by the banking institution in the normal course of business.
Low : if a loss were to occur, it would have little negative impact on the banking institution's overall financial condition.

Adequacy of Risk Management Systems

- Strong :** Management effectively identifies, measures and controls all major types of risk posed by the relevant functional area or per inherent risk. The board and management participate in managing risk, including risk concentrations and ensure that appropriate policies and limits exist. The policies comprehensively define risk tolerance, responsibilities and accountabilities and are effectively communicated.
Acceptable : Risk management systems, although largely effective, may be lacking to some modest degree. Risks are generally being controlled in a manner that does not require more than normal supervisory attention. Management satisfactorily identifies, measures and manages risk, including risk diversification.
Weak : Risk management systems are inadequate or lacking in important ways, and, therefore, are a cause for more than normal supervisory attention. Internal control systems will be lacking in some important ways particularly as indicated by continued control exceptions or by failure to adhere to written policies and procedures.

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CORPORATE GOVERNANCE**Statement of Compliance**

During the period under review, Tetrad Holdings Limited was in compliance with the applicable statutes, Reserve Bank of Zimbabwe guidelines and banking regulations and adhered to the Group Code of Ethics. The Boards of the Group Companies, the Board Committees, and the Directors are evaluated annually and the last evaluation was for the year ended 30 September 2008.

Board Meetings

Board meetings for the three companies namely Tetrad Holdings Limited, TFS Management Company (Private) Limited and Tetrad Investment Bank Limited were held in terms of the board charter and in line with the regulatory requirements. As shown below, the boards held a total of four meetings in the year and the levels of attendance were very good with exception of Mr. D. Sandeman who is on an extended leave in the United Kingdom. The leave was approved by the boards and will be considered in the next annual general meeting.

Tetrad Holdings Limited

Name	4.12.2008	25.02.2009	21.05.2009	20.08.2009	% attendance
M. Kahari (Chairman)	✓	✓	✓	✓	100
Z. Rusike	✓	✓	✓	✓	100
D. Sandeman	✓	ap	ap	ap	25
E. Mlambo	✓	✓	✓	✓	100
A. Kurauone	✓	✓	✓	✓	100
E. Chikaka	✓	✓	✓	✓	100

Tetrad Investment Bank Limited

Name	3.12.2008	25.02.2009	19.05.2009	20.08.2009	% attendance
Z. Rusike (Chairman)	✓	✓	✓	✓	100
E. Mlambo	✓	✓	✓	✓	100
A. Chatikobo	✓	✓	✓	✓	100
H. Orphanides	✓	✓	✓	✓	100
E. Chikaka	✓	✓	✓	ap	75

TFS Management Company (Private) Limited

Name	4.12.2008	18.02.2009	20.05.2009	19.08.2009	% attendance
A. Kurauone (Chairman)	✓	✓	✓	✓	100
E. Mlambo	✓	✓	✓	✓	100
J. Conway	✓	✓	✓	✓	100
J. Girdlestone	✓	✓	✓	✓	100
E. Mungwariri	✓	✓	✓	✓	100
A. Fisher	✓	✓	✓	✓	100
E. Chikaka	✓	ap	✓	✓	75