

UDC●RP

URBAN DEVELOPMENT CORPORATION



2021 ANNUAL REPORT

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CORPORATE INFORMATION

Urban Development Corporation (UDCORP) (The Corporation) is a state-owned enterprise (SOE) under the Ministry of National Housing and Social Amenities (MNHSA) and the Ministry of Local Government and Public Works (ML&PW). The Corporation was formed through the Urban Development Corporation Act [Chapter 29:16] in 1986. It was set up to encourage and assist Local Authorities to plan and coordinate urban growth and development, as well as to improve the standards of living of the general populace of Zimbabwe through the development of housing and related infrastructure. The Corporation offers Audit and Assurance Services to Local Authorities in Zimbabwe.

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CHAIRPERSON AND CHIEF EXECUTIVE OFFICERS STATEMENT

It is with great pleasure that we present to you the Corporation's Annual Report for the financial year ending 31 December 2021. We would want to acknowledge with great appreciation the Board Chairman, Dr. Eng. Caleb Makwiranzou, who was leading the UDCORP Board during the period under review. We also acknowledge with thanks the Management Committee which was in charge of UDCORP's operations in 2021 (The Management Committee was led by Mr. Hashmon Matemera). In 2021, UDCORP faced acute productivity challenges mainly due to the menacing COVID-19 pandemic. Lockdown restrictions brought the Corporation's construction projects to a complete halt in some parts of the year. The Projects also failed to take off in time due to lack of financial resources.

Corporate Governance

UDCORP operated without a Board of Directors from 2019 to first quarter of 2021. In March 2021, the Minister of National Housing and Social Amenities appointed a new Board of Directors consisting of nine Independent Non-executive Directors. The Board of Directors met every quarter to monitor the performance of the Corporation and its management and deliberate on the strategic direction of its operations. The Corporation complied with the Public Entities Corporate Governance Act (Chapter 10:31) requirements and established the required committees to guide the growth and development of the institution. Committee and Board meetings met, virtually and physically to consider matters related to the mandate of the Corporation.

Executive Management

In 2021, the UDCORP Executive Management was made up of a Management Committee which was appointed the then Minister of Local Government, Public Works and National Housing. The Management Committee had the following Executives:

- Head of Management Committee - Mr. Hashmon Matemera
- Commercial Services Director - Mr. Felix Mwase
- Legal & Corporate Services Director - Ms. Zvichanzii V. Mugota

UDCORP Operations

During the period under review, the UDCORP concentrated much on the resuscitation of the two major housing development projects; that is, the Manresa Estate apartments and the Knockmalloch Housing development. For the Knockmalloch housing project, the focus was on finding solutions to issues of sources of water, sewer disposal and the finalization of the Environmental Impact Assessment process. Management continued with engagements with Norton Town Council on a joint venture project for the construction of a 40-megalitre water treatment plant to serve Norton Town, Knockmalloch project and all surrounding developments. In terms of the implementation of a sewer plant, the Corporation moved from the traditional sewer system to a more sustainable option, which is the bio-digestors, which require less space and are cleaner, unlike the traditional sewerage pond system.

For the Manresa project, the project remains at 92.8% complete. The Corporation's management engaged different financial institutions calling for partnerships in completing the development. During the report under review, no concrete partnership has been achieved although discussions are continuing with financial institutions and potential buyers for the apartments.

UDCORP continued to offer external audit services to Local Authorities and managed to undertake 22 audits, which generated **ZWL20.5 million** in 2021. Revenue from external audits contributed significantly to the sustenance of the Corporation.

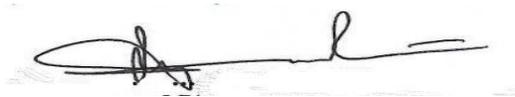
Financial and Administration

During the period under review, the Corporation recorded an inflation-adjusted loss before tax of **ZWL66 million** compared to **ZWL31 million** loss in 2020. The new management in place from 2023 is now implementing a Transformation Strategy and one of the objectives of this transformation strategy is to turn around this loss-making position.

Appreciation

We would want to extend our gratitude to the following key stakeholders:

- Honourable Minister of National Housing & Social Amenities - Honourable D. Garwe
- Former Permanent Secretary of the Ministry of Housing and Social Amenities - Eng. J. P. Makumbe
- Ministry of National Housing & Social Amenities
- Former Minister of Local Government & Public Works - Honourable J. Moyo
- Former Permanent Secretary of the Ministry of Local Government & Public Works, Mr. Z. Churu
- Ministry of Local Government & Public Works
- Office of the President & Cabinet - Central Governance Unit (CGU)
- Other Government Departments & State Agencies
- Auditor General's Office
- UDCORP Board Members
- Former UDCORP Management Committee which was led by Mr. H. Matemera
- UDCORP Staff Members
- UDCORP Clients (both Individuals and Local Authorities).



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Joey Shumbamhini (Mr.)
Chief Executive Officer



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Dr. Audrey Kwangwama
Acting Board Chairperson

CHAPTER 1: OVERVIEW OF THE OPERATING ENVIRONMENT

1.0 Overview

The 2021 operating environment was characterised by high monthly on month inflation, foreign currency shortages and growth in money supply. Major materials for construction projects experienced significant price hikes reflecting the impact of the widening gap between Auction Exchange rates and the parallel market. The Reserve Bank tried to increase the amount available for bids on the Auction from USD30 million weekly to US\$40 million but this saw a longer settlement period and pushed the parallel market premium higher.

The housing market experienced a fall in units available as major suppliers like banks and building societies withdrew their units due to challenges with currency pricing. Demand for housing units was high driven by corporates, which were hedging the value of their RTGS cashflows against high inflation and the exchange rate movements. Pension Funds and corporates with large RTGS inflows saw an opportunity to assist staff buy properties on loans, which over time would depreciate, in real value.

In November 2021, the Minister of Finance presented the 2022 Budget. The Budget had positive measures for housing including:

- allocating USD28 billion for institutional housing, and
- laying the framework for housing finance bonds.

UDCORP through the Ministry of National Housing and Social Amenities had planned to tap into the budget funding and bonds issuance program for financing its infrastructure projects. The Bonds would offer long-term funding which was in line with UDCORP project life span, unlike the 12-month funding, which was being offered in the financial markets. During the year under review, financial institutions focused on lending for periods less than 12 months and at very high interest rates, which made it difficult to access mortgages. This impacted negatively on the capital raising that had been planned for the whole year.

During the year under review, most of the Corporation's efforts were focused on -

- i) Fundraising through the sale of stands and apartments;
- ii) Surveying and designing of the sewer ponds at Knockmalloch ;
- iii) Environment Impact Assessment for Knockmalloch and
- iv) Audit Services.

CHAPTER 2: CORPORATE GOVERNANCE

2.1. Corporate Governance (Ethics and Integrity)

At the core of corporate governance requirement is ensuring that public entities observe ethical practices benchmarked on international best practices and have enhanced transparency mechanisms in place. The Corporation continuously monitors and aligns codes of corporate practices and conduct with both local and international corporate governance codes such as the National Code of Corporate Governance in Zimbabwe (ZIMCODE) and King Four (IV). The Board has adopted these as the primary codes of Corporate Governance for the Corporation and considers the Organization for Economic Cooperation and Development (OECD) Principles of Corporate Governance.

2.2. Governance and management approach

The Corporation places a lot of emphasis on continuous monitoring and evaluation of stakeholder engagement and best practices for the sustainability of the Corporation in the long term.

2.3. Mechanisms for Communication with Stakeholders

The Corporation provide a number of platforms for our stakeholders to communicate with senior management and the Board of Directors, for example, Annual General Meetings, notices to shareholders and stakeholders and annual reporting to shareholders.

2.4. Board and Management Ethics

The Board and Management are responsible for ensuring that ethics are upheld and at the core of everything, we do. All staff and Board members are required to declare their interests and any conflicts arising in the carrying out of their duties. These declarations are included in the business of all Board meetings held during the year by the Corporation.

2.5. Directors Declaration of Conflict of Interest

During the year under review, no Directors had any material interests, which could cause significant conflict of interest with the Corporation's objectives.

Table 1. Board of directors:

Director	Year appointment	Qualifications and Experience
C. Makwiranzou	2021	Dr Makwiranzou is an experienced engineer with more than 23 years' experience in engineering project inception, design, implementation and management of infrastructure implementation for the built environment in the Southern Africa Development Community region and in the United Kingdom. He holds a doctorate in Business Administration from the University of Liverpool.
A. Kwangwama	2021	Dr Audrey Kwangwama is an experienced real estate and property development practitioner. Her experience includes property valuation, real estate development and town planning. Currently, she is a Lecturer in the Department of Architecture and Real Estate at the University of Zimbabwe. Dr Kwangwama is registered as a Valuer and Estate Agent with the Valuers' Council and the Estate Agents Council (EAC) respectively. She is also an Associate Member of REIZ and a Corporate Member of the Zimbabwe Institute of Regional and Urban Planners and holds a PhD from the University of Zimbabwe.
S. Chikomwe	2021	Dr Chikomwe is a qualified Town Planner with vast experience in the development of Master/ Local and Strategic Plans. He is currently a Lecturer at the Great Zimbabwe University.
M. Chingaira	2021	Mr Chingaira is an experienced CEO with more than 28 years' experience. He is the CEO of the largest construction organisation in Zimbabwe, Construction Industry Federation of Zimbabwe (CIFOZ). He holds a Bachelor's Degree in Financial Accounting and is a qualified Certified Internal Auditor.
T. Gambiza	2021	Mr Gambiza is a holder of MSc Degree in Public Administration.
S. G. Ndhlovu	2021	Ms Gandhi has a Diploma in Advanced Systems Analysis from the University of Cape Town. She is a Philanthropist, Technology Advocate and Entrepreneur. She currently works for Zanu PF as a

		Professional Assistant of the Deputy of Secretary of Youth Affairs/ Head of Youth Department.
V. Chasi	2021	Mrs Chasi is a qualified and highly experienced Legal advisor and company secretary with 13 years' experience in the financial services sector in addition to nine years of legal practice. She is currently a Managing Partner at Pallandum Strategy and IP Consultants, Zimbabwe.
T. Maphosa	2021	Mrs Maphosa has a Bachelor's Degree in Business Administration and a Professional Certificate in Project Management, Monitoring and Evaluation.
B. Banda - Madya	2021	Mrs B. Banda-Madya is an accountant with sixteen years of work experience in the accounts field. She is currently the District Accountant of the Ministry of Primary and Secondary Education in Kwekwe. She is a member and treasurer of the local CAMFED Board Committee-Kwekwe District. She is also an external auditor and consultative work for Luther Schools in the Southern Region.

2.6. Board Structure and Responsibilities

The Corporation continues to align the Board composition with the requirements of the Urban Development Act (Chapter 29:16), the Companies and Other Business Entities Act (Chapter 24:31) ("COBE"), and the Public Entities Corporate Governance Act (Chapter 10:31) and in line with governance policy and international best practices of corporate governance. There were three substantive Executive Directors appointed during the year. The Minister of National Housing and Social Amenities appointed a new Board of Directors consisting of nine Independent Non-Executive Directors in March 2021. The Board's composition and number are in accordance with COBE requirements, that a public entity should have a minimum of seven Directors. The Chairman and Non-Executive Directors have vast experience to guide an active executive management team.

The Board of Directors meet on a quarterly basis to monitor the performance of the Corporation and its management and to deliberate on the strategic direction of its operations. The Corporation had a Board of Directors, with clearly defined responsibilities and objectives, for the running of its operations. Summarised in

Table 2 are the Board Structure the members of the various Board Committees and the responsibilities of each Committee.

Table 2: Description of key committees and their functions

Committee	Committee Members	Roles/ Functions
Audit	M. Chingaira (Chairman) A. Kwangwama T. Gambiza S. G. Ndlovu	The Audit Committee assists the Board in the fulfilment of its duties. The Audit Committee deals, inter alia, with compliance, internal control and risk management. The Committee comprises four independent, Non-Executive Directors. An Independent Non-Executive Director chairs the Committee. The Committee meets at least three times a year with the Corporation's internal auditors and at least once with the Corporation's external auditor to consider compliance with financial reporting requirements, monitor the appropriateness of accounting policies and the effectiveness of the systems of internal control and consider the findings of the internal and external auditors. Both the internal and external auditors have unrestricted access to the Audit Committee to ensure independence and the objectivity of their findings and the scope of their work.
Finance	B. Madya (Chairperson) C. Makwiranzou V. Chasi S. Chikomwe	The Finance Committee is mandated by the Board to set, approve and monitor overall borrowing limits for the Corporation. The Committee is responsible for approving financial institutions that the Corporation can transact with. The Committee also sets, approves and monitors the overall capital expenditure investment within the Corporation and specifically analyses any capital expenditure and potential business acquisitions or disposal. The Committee also reviews the financial performance of the

		Corporation and recommends them to the full Board. It is made up of four independent Non-Executive Directors.
Housing & Technical	A. Kwangwama C. Makwiranzou S. Chikomwe T. Maphosa	The Housing & Technical Committee is made up of four independent Non-Executive Directors who are led by the committee's chairperson. The committee determines, on behalf of the Board and the shareholders, the housing and technical projects that are undertaken by the Corporation.
Human Resources	V. Chasi (Chairperson) M. Chingaira S. G. Ndlovu T. Maphosa T. Gambiza	The Human Resources Committee is made up of four independent Non-Executive Directors who are led by the Committee's Chairperson. The Committee determined, on behalf of the Board and the shareholders, the individual remuneration packages for the Executive Directors, management and other staff. The Corporation's Remuneration policy is to provide packages that attract, retain and motivate high-qualified individuals who contribute to its growth and success. Packages primarily include basic salaries, allowances and bonuses.

2.7. Directors' Remuneration

The Human Resources Committee determines remuneration packages for the Corporation's Executive Directors. These packages include a salary, allowances and bonuses, which take into account their needs. As of 31 December 2021, there were no loans from the Corporation to any Director.

CHAPTER 3: OPERATIONAL HIGHLIGHTS

3.1. Major Projects

The year 2021 saw the Corporation concentrating on strategies to resuscitate the two (2) major projects, that is, Knockmalloch and Manresa Housing developments.

3.1.1. Knockmalloch housing development

Table 2: Project Key Project Information

Project Name	Knockmalloch Estate Development
Project site details	Lot 4 of Knockmalloch, Hartley District, Chegutu
Project site size	402,1669 Hectares
Project site owner	UDCORP
Project sponsor	UDCORP
Project description	Servicing of Knockmalloch Mixed-Density Housing Project (roads, sewer, water and electrical reticulation).
Total project development cost	Full Project - USD40,000,000
Expenditure to date	Usd6,000,000
Project estimated cost - construction	Usd34,000,000
Project consultant	Ministry of Local Government, Public Works & National Housing Architects, Engineers & Quantity Surveyors.
Project contractor	Construction Unit - Ministry of Local Government, Public Works and National Housing.
Estimated Project Duration - Construction	The project was planned for four years.

The project is now at 32% to completion with major works being the construction of roads and stormwater drains. The roads are now on base one(1) and ready for surfacing. The contractor is currently not on site due to funding issues. Table three (3) below shows the expenditure to date.

Table 3: Major expenditure to date

Expenditure	Amount paid (USD)
Survey (Title and topographical surveys)	339,330.53
Environmental Impact Assessment	15,482.73
Legal Costs (processing of title deeds)	604,720.00
Geo-Tech tests	27,102.27
Graves exhumation	21,000.00
Civil works (Road construction)	5,033,512.76
TOTAL	6,041,148.29

3.2. Required Funding To Completion

The estimated funding to complete 68% of the remaining works amounts to US\$34 000 000. As of 31 December 2021, the project had utilised approximately US\$6 000 000 from the US\$40 000 000 needed to complete the whole project. The major outstanding works are related to water, sewer and electrical reticulation. Table 4 shows the outstanding works cost breakdown.

Table 3: Outstanding works cost breakdown

Outstanding work	Amount (USD)
Preliminary and generals	1,912,966.96
Roads and storm-water	21,723,529.97
Water reticulation	2,500,499.13
Sewer reticulation	2,286,705.23
SUBTOTAL	26,877,624.80
ADD 15% VAT	4,031,643.72
Add 10% contingency	3,090,926.85
Total Estimate	34,000,195.37

3.3. Outstanding Works

The following works were outstanding due to the challenges being faced in the procurement of the required materials needed to complete the works:

a. Water reticulation (on/offsite)

The Corporation was in discussions with the Norton Town Council for the construction of an independent water treatment plant that will be drawing from

Darwendale Dam. The Corporation was to finance the construction of the plant and connect the Knockmalloch Housing development. In addition, onsite or internal water reticulation was still outstanding though the designs are available and approved.

b. Sewer reticulation (on/offsite)

As of 31 December 2021, the Corporation was in the process of considering the adoption of bio-digesters for sewer disposal as a substitute for traditional sewerage ponds. This is because the option of bio-digesters come with quite a number of advantages that might prove to be beneficial to the project in the end. The benefits are as follows:

- ✓ Extraction of biogas for street lighting
- ✓ 80% cheaper and more affordable as compared to the traditional sewer system method
- ✓ Requires little space and
- ✓ Odourless.

The Corporation's Technical Team did some site visits of the developments around Harare with Bio-digesters and highly recommend the adoption of the Bio-digesters based on the above-mentioned advantages.

c. Environmental Impact Assessment (EIA) Certification

The project was suffering from a lack of EIA certification as the consultant SIRDC is yet to submit the report due to the unavailability of a sustainable water source. Over the years, the Corporation had been engaging Norton Town Council (NTC) with a view of coming up with an independent water treatment plant. The negotiations were still ongoing as at 31 December 2021.

3.1.2. Manresa Estate

Table 4: Project Key Project Information

PROJECT NAME	Manresa Estate Development
PROJECT SITE DETAILS	Stand No 39369 and 39370 Tafara Township Of Donnybrook, on Sinini Road
PROJECT INITIATOR/ SPONSOR	UDCORP
PROJECT DESCRIPTION	Proposed construction Of 19, by 4 Storey, 16 Unit, 3 bedroomed apartment flats in Manresa Tafara, Harare by Udcorp 304 Units
PROJECT SCOPE	<ul style="list-style-type: none"> ▪ Construction Of 19 Blocks Of 16 By 140m², 3 Bedroomed Apartment Flats. ▪ Comprising-3 bedrooms, master ensuite, kitchen, scullery, open plan lounge into the kitchen, shared bathroom and balcony ▪ Each Unit with tiled bathroom floors and wall-to-door height ▪ Each unit with tiled kitchen /scullery walls and floors ▪ Each Unit with fitted kitchen and laundry cabinetry ▪ Walls painted in neutral colour scheme - Dulux Chalk Blush 2/3/4 ▪ Drilling Of 7 Number Boreholes ▪ Construction Of Complex Boundary Wall and Guard House ▪ Rerouting Of 11kva Power Line To Boundary Of Site ▪ Construction Of 2.5 Megalitre Water Reservoir Tank ▪ Erection And Installation Of Elevated 100m³ Modular Steel Tank
PROJECT CONSULTANT	Ministry of Local Government and Public Works Architects, Engineers & Quantity Surveyors
PROJECT CONTRACTOR	Construction Unit - Ministry of Local Government, Public Works and National Housing
ESTIMATED PROJECT DURATION - CONSTRUCTION	The project was planned for six months in Phase1, but has since been extended to 2022.

a. Project Progress

Overall progress to completion is at **92,95%** with the breakdown shown in table 5.

Table 5: Breakdown of outstanding works

Item	Status	Outstanding Works	Reason(s)
Apartments	All the apartments are at 91, 11% . To date, 4 blocks have been roofed. Glazing has been installed for the first block. The first sample apartment has been completed.	62 Units requiring: Painting, Tiling, Glazing, Electrification, Fittings, Plumbing and Installation of Doors and Geysers.	The materials have not been purchased by UDCORP.
Complex Boundary Wall	The percentage of completion is at 95, 71% completion.	Installation of the Entrance and Exit Gate.	The materials have not been purchased by UDCORP.
Civil Works - Water Supply and Sewer Reticulation Internal Road works and Parking lots	The Water tank is now at 97, 49% .	<ul style="list-style-type: none"> Water tank gate valves, cleaning and testing, pipework, construction of manholes External reticulation sewer and water connections. 	Hydrogeological surveys are yet to be done. The boreholes have not been drilled. Civil works were omitted in the initial bill and current BOQ.
Electrical Reticulation	The internal reticulation for the sample units has been done.	Re-routing, Installation of transformers and Cabling.	Awaiting materials.
Construction of Guard House and Caretakers House	The guardhouse was roofed and is at 95, 71% .	Construction of the caretaker's house Plumbing and Carpentry.	Awaits required materials
Bin Area	Not yet constructed	Construction of the Bin Area.	

According to the programme of Works that was submitted by the Contractor, it takes four (4) months to complete the remaining Works as shown in table 6. The period for all the regulatory approvals such as plan approvals is +/-1 month.

Table 6: Breakdown of outstanding works

ACTIVITY	DAYS	MONTH	STAGE TOLERANCES BY UDCORP (DAYS)
Water tank construction	36	1 & 2	4
Sample Unit Construction	7	1	1
Block 20 Construction	54	1, 2 and 3	6
Block 19 Construction	47	1, 2 and 3	4
Block 18 Construction	37	1, 2 and 3	4
Block 17 Construction	10	1, 2 and 3	2
Substation Construction	7	2	1
Re-routing existing lane and Equipping Substation	14	2	2
Durawall Finishes (Main gates and coping)	20	2	2
Snagging and Hand Over	5	4	1
Total		4 months	27 days

b. Project Costs

Initial budgeted costs for phase one were **US\$5 992 529,62**, however, the same budget catered for the variations and was later affected by inflation and numerous statutory instruments introduced during 2019. Following the meeting held on the 7th of November 2022, between UDCORP and the Main Contractor, the confirmed revised project is shown in Table 7:

Table 7: Revised Cost to Completion

DESCRIPTION	AMOUNT (USD)
Initial Budgeted Cost (Contractor's BOQ)	5,992 529, 62
Cost To Completion for Phase 1 (Contractor's BOQ As of November 2022)	2,945,673,39
Overall Cost for Phase One	8,938,497.01

The budget for the completion of the apartments increased by: **USD 425 274,06** from the previous costs. The main reasons cited by the contractor for the current project cost to completion were:

- The newly introduced United States Dollar component, which was introduced by the National Employment Council (NEC) on the wage bill of labourers. Previously the remaining works required ZWL 730 000, 00 ONLY.
- The increase in the cost of building materials because of inflation.

c. Overall Project Achievements

- Purchase of 5,11ha piece of land from the City of Harare at **ZWL4, 431 570, 00 equivalent to USD 825 000,00.**
- Completion of Sample Apartment Number 1
- The agreement of sale for land purchase was issued in the year 2021,
- Roofing of all four blocks and
- Glazing of block number 18.

d. Audit Services

Audit Services undertook 22 audits during the year 2021. Total Audit fees for the period were ZWL20.5 million. The scheduling of audits continues to experience delays, as the Auditor General's sign-off on fees is required due to the unstable pricing environment. Local Councils continue to press for their audits as they seek to draw down on Treasury funds.

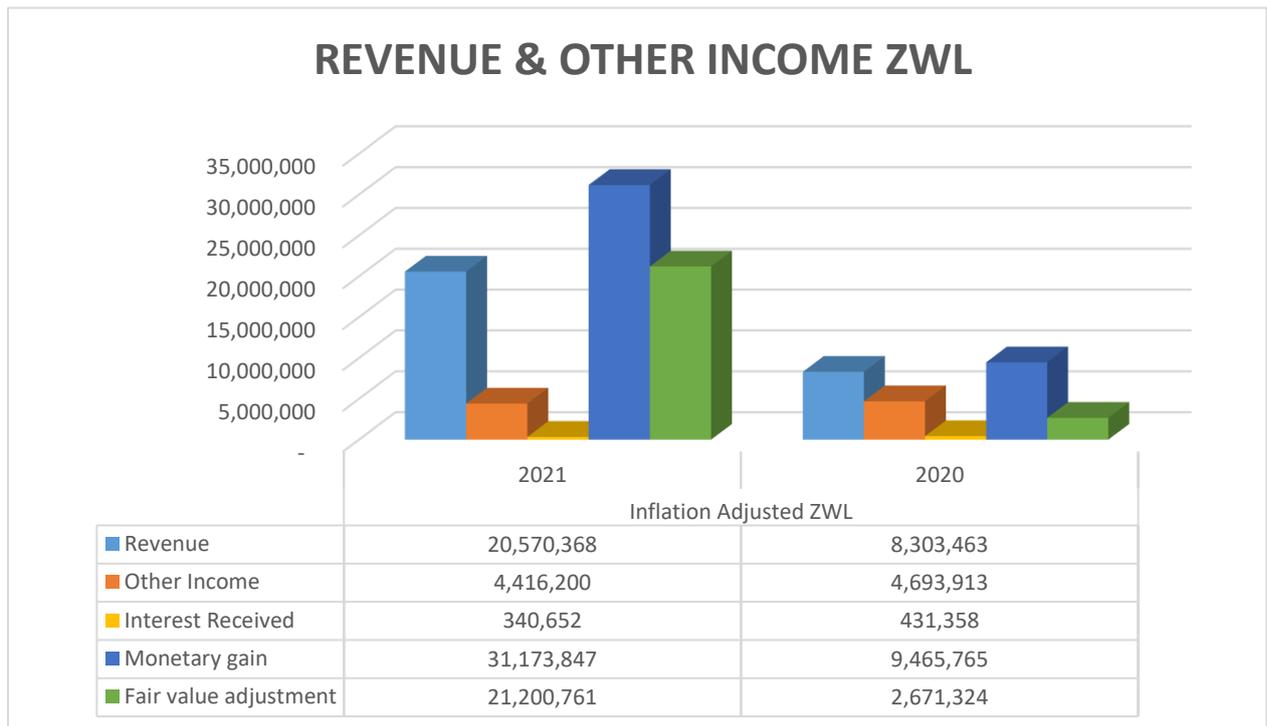
CHAPTER 4: FINANCIAL PERFORMANCE

3.1. Revenue

Revenue from Audit Fees of ZWL 20.6 million was generated in 2021, compared to ZWL 8.3 million in 2020. The increase was mainly due to a number of Local Authorities making efforts to be up to date with their Audited Accounts in line with Government policy.

Income from the disposal of stands for the Knockmalloch Project was treated as Deferred Revenue/ Advance Payments, in line with current International Financial Reporting Standards. The total of this deferred income as of 31 Dec 2021 was at ZWL 194 million.

Figure 1: 2021 Revenue and Other Income



3.2. Other Income

Other Income of ZWL 4.4 million consists mainly of rentals received from Investment properties.

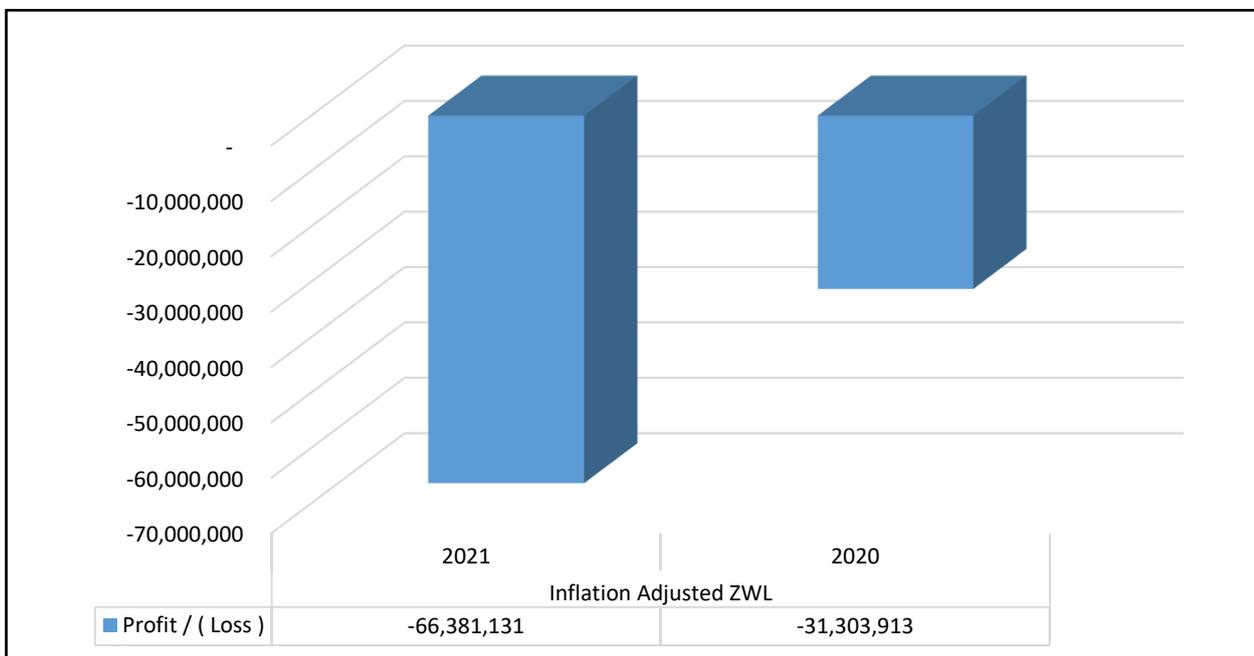
3.3. Staff Costs

A salary review was done in 2021 to bring staff salaries in line with market levels. As a result of the review, staff costs increased to ZWL 87 million in 2021, from ZWL 25 million in 2020.

3.4. Net Loss

The net operating result was a Loss of ZWL 66 million. Most operating activities during the year were scaled down due to the COVID-19 pandemic. The loss is expected to be reduced significantly, upon recognition of the deferred income on sale of stands which stood at ZWL 194 million as of 31 Dec 2021.

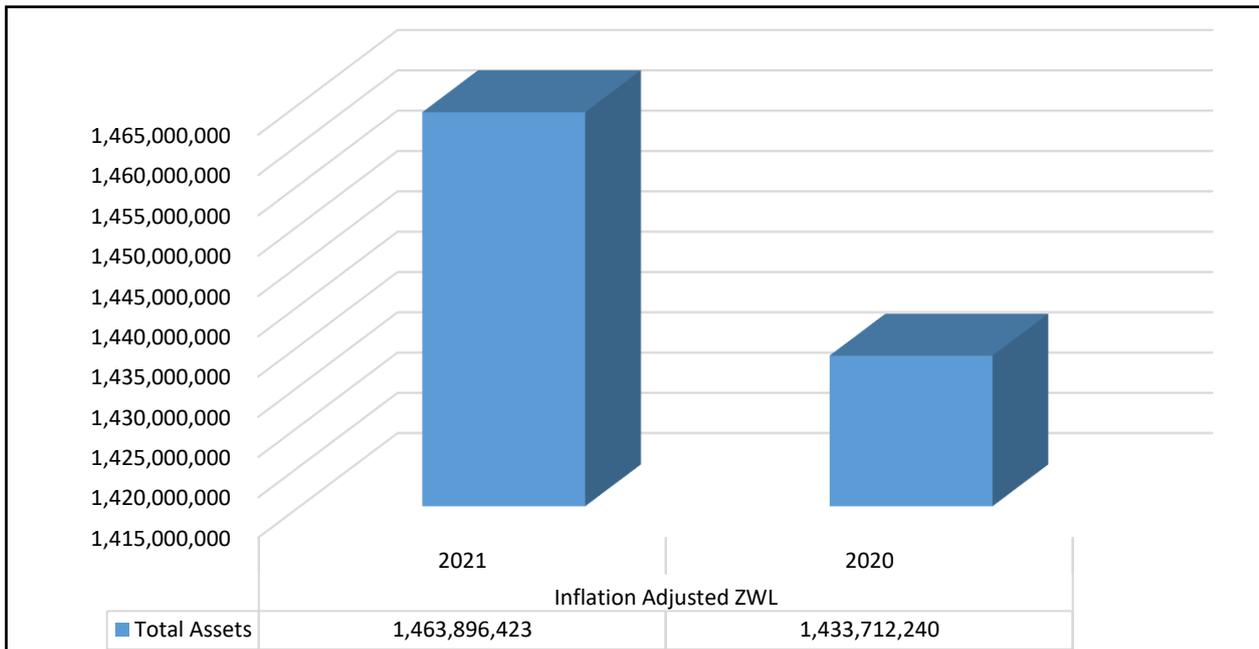
Figure 2: Loss



3.5. Total Assets

The total Asset base remained strong at ZWL1,5 billion due to significant investments done in Development Properties, which were used as a hedge against inflation thereby preserving value for UDCORP.

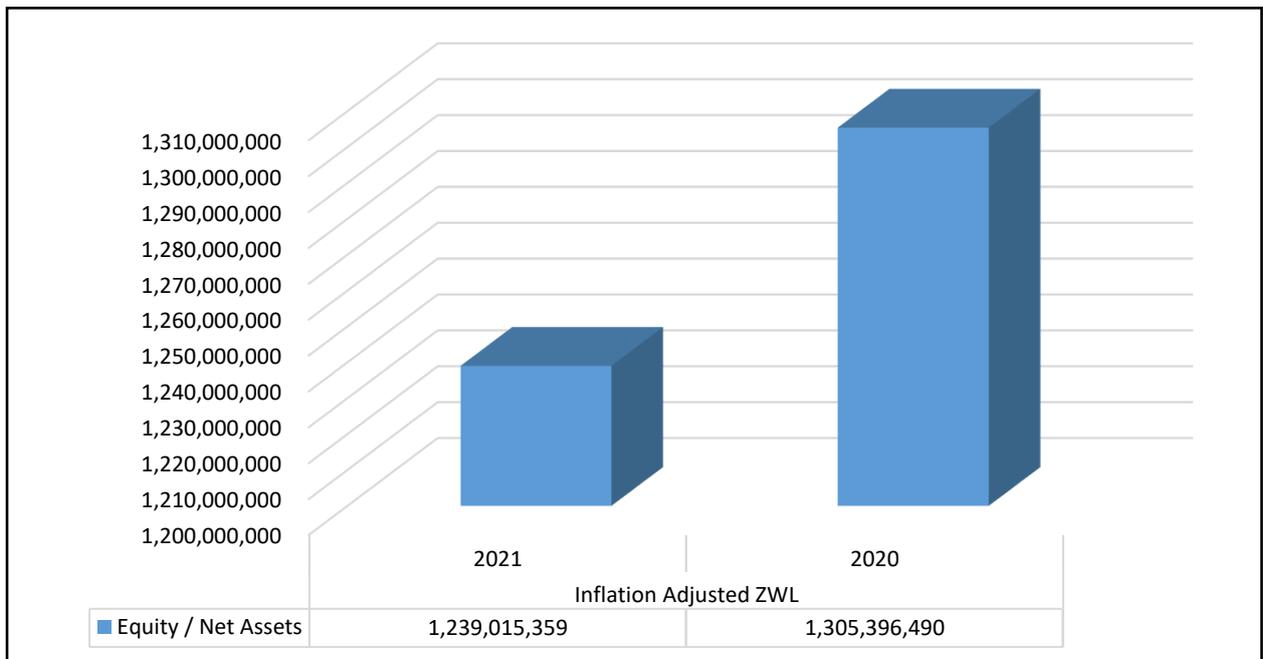
Figure 3: Total Assets



3.5. Equity

As of 31 December 2021, equity was at ZWL 1.2 billion.

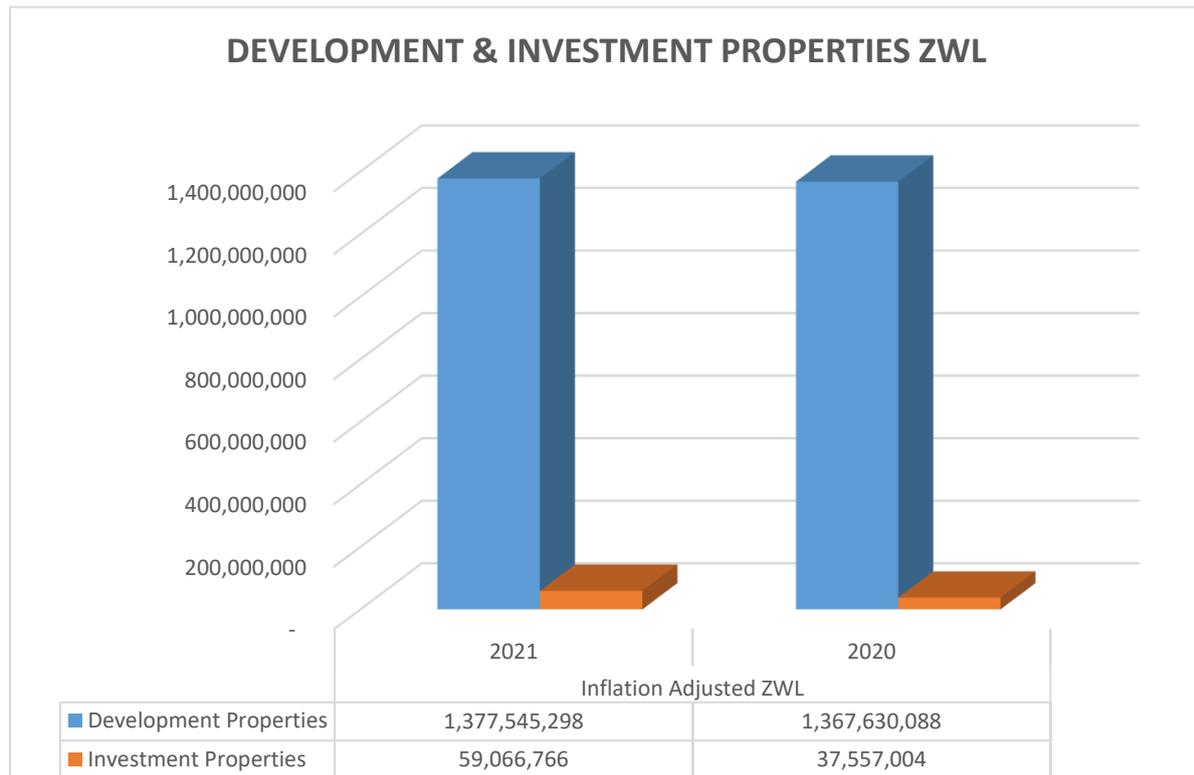
Figure 4: Equity



3.6. Projects and Investment Properties

Development of Manresa and Knockmalloch was significantly scaled down due to the prevailing economic environment. The list of development properties as of 31 December 2021 was ZWL 1,38 billion. Investment properties were valued at ZWL 59 million as shown in Figure 5.

Figure 5: Development and Investment Properties.



CHAPTER 5: RISK MANAGEMENT

5.1. Risk Management Policy

i. The Board's view on risk

The Board of Directors of UDCORP believe that management of risk is a continual process and an integral part of good business management and corporate governance. Risk management is defined as the identification and management of risks that could harm the Corporation. In general, risks for the Corporation may be classified as project, operational, reputational, credit and market risk. The Board is cognisant that a measure of risk is inherent in management activities undertaken by the Corporation, and cannot be eliminated. The Board does not have any tolerance for intentional actions that breach the law or are reckless.

ii. Responsibilities

The Board is responsible for setting the risk appetite of the Corporation and ensuring that an appropriate risk management framework is in place for the Corporation such that significant risks (financial and non-financial) facing the Corporation are identified, and appropriate systems and controls, metrics, monitoring and reporting mechanisms are put in place to enable the Board to measure performance against the Corporation's approved risk appetite. The Board is also responsible for ensuring that UDCORP operates within the Corporation's approved risk appetite.

5.2. Risk Management Framework

Risks are analysed in the context of the Board's risk appetite, strategic objectives and attitude to risk.

The Framework incorporates:

- systematic processes for the identification, assessment, treatment and monitoring of risks;
- communication and consultative processes to ensure UDCORP's management and staff are involved with the development and maintenance of risk profiles;
- integrated risk management in business planning, decision-making and day-to-day operational management;
- training programs to improve UDCORP's management and staff awareness of risks and management techniques; and
- periodical performance reporting to the Board.

A risk profile is maintained for the Corporation, which describes the risks (financial and non-financial) facing the Corporation and the key controls surrounding those risks. Any changes to the risk profile are reported to the Board (immediately if significant, otherwise at the next Committee meeting). The risk profile is formally reviewed at least annually by UDCORP's management and presented to the Board on request.

The Corporation also has the following in place to ensure a strong control environment:

- clearly defined management responsibilities and organisational structure;
- delegated limits of authority defined by a delegations document;
- regular internal review and mechanisms including a management committee, and dedicated compliance and risk team (which incorporates internal audit);
- appropriate policies and procedures widely disseminated to, and understood by, employees;
- a business recovery plan, aimed at preventing significant disruptions to the business;
- controls on the use and maintenance of derivative instruments as part of its investment operations.

The Corporation's control environment is subject to regular testing by UDCORP's internal audit function. The Corporation's risk assessment is based on its operations and legacy issues. The Corporation is exposed to the following risks:

5.3. Project Risk

The Corporation's exposure to project risk largely remains driven by a lack of funding for its projects considering the illiquid market and macroeconomic factors prevailing in the economy. Project development is not dependent solely on the Corporation, but through guidance and supervision of the Government of Zimbabwe, through the Ministry of Government and Public Works and the National of National Housing and Social Amenities. The monitoring and evaluation of projects of the Corporation is under the supervision and responsibility of the Management Committee which reports to the main Board for guidance.

5.4. Operational Risk

The Corporation was affected by the coronavirus (COVID-19). The pandemic negatively affected the operations due to shutdowns and lengthy periods when the organisation was at a standstill. The Corporation adopted Government regulations on COVID-19 as well as prescribed health and protective guidelines being recommended regionally and internationally.

5.5. Credit Risk

Owing to the effect that the Corona Pandemic noted above had on the Corporation, the projects of the Corporation were at a standstill for a while and as business was slowly recovering and project work continued, this impacted negatively on revenue as some businesses never recovered and employees were being retrenched, hence, the ability to repay monthly instalments for many customers was hampered. The Corporation therefore had a slowdown in project works and this impeded the ability of the Corporation to repay its obligations.

5.6. Market Risk

Macroeconomic factors negatively affected the Corporation as inflation and interest rates continued to soar and foreign exchange rates were responding accordingly. The Corporations' funds, capital and debtors' values continued to be eroded by inflation.

5.7. Reputational Risk

The Corporation had legacy issues it was carrying where previous management and matters had negatively tainted the Corporation. The Corporation has been in the process of transformation and rebranding itself through stakeholder engagement and appointing new management to turn around the image of the Corporation.

5.8. Compliance Risk

The Corporation through its internal audit department, which reported to the board, which regularly reviewed the Corporation's risk and internal controls, was managing the risk and compliance risk.

ANNEXURE 1: 2021 AUDITED FINANCIAL ACCOUNTS