



UDC ORP

URBAN DEVELOPMENT CORPORATION



**2022
ANNUAL
REPORT**

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CORPORATE INFORMATION

Urban Development Corporation (UDCORP) 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 Services to the Local Authorities in Zimbabwe.

Head Office

Urban Development Corporation

8th Floor Trust Towers
56 Samora Machel Avenue
Harare
Zimbabwe

Tel: 0242 705 090/1

Email: admin@udcorp.co.zw

Facebook page: [@udcorp.com](https://www.facebook.com/udcorp.com)

Website: www.udcorp.co.zw

Southern Region

Urban Development Corporation

8th Floor, Fidelity Life Centre
Corner 5 Street & 11th Avenue
Bulawayo
Zimbabwe

Tel: 263 2970830

Email: admin@udcorp.co.zw

Facebook page: [@udcorp.com](https://www.facebook.com/udcorp.com)

Website: www.udcorp.co.zw

Auditors

Nolands Harare Chartered
Accountants

7 Glenara Avenue South

Cnr Samora Machel and Glenara

Cell: +263 772 1616 765, +263 782 705

Tel: +263 (242) 481037/9

enquires@nolandshre.co.zw

MISSION STATEMENT

VISION

Well-developed urban settlements with modern infrastructure by 2030.

MISSION

To plan and develop an inclusive, safe, resilient and sustainable built environment in Zimbabwe.

CORE VALUES

Teamwork

We combine the quality and expertise of our staff to satisfy clients and stakeholder needs

Accountability

We take ownership of our actions.

Resilience

We soldier on to achieve our vision.

Professionalism

We offer high-quality standards in a competent manner.

Integrity

We strictly adhere to the ethics and codes of conduct of our industry.

UDCORP's values are summarized by the acronym "TARPI".

CORPORATION'S MANDATE

Act 29:16

- The UDCORP Act guides and formulates objectives and powers of UDCORP.

Mandate

- Provision of urban housing and related offsite and onsite infrastructure.

Services

- Town Planning,
- Project Management,
- Land Development,
- Housing Development and
- Audit Services

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 2022. We would like 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 responsible for UDCORP's operations in 2022 (The Management Committee was led by Mr. Hashmon Matemera).

This annual report presents an opportunity for the Corporation to reflect on its performance measured against set targets in the Strategic Plan. During the period under review, the Corporation was not spared by the harsh economic and operating environment. Management concentrated on carrying on with its strategy of not wholesomely selling off its real estate properties to preserve value. The gap between the official and unofficial exchange rates posed some significant risks to the operations of the Corporation. During the last quarter, the Corporation experienced some liquidity constraints mainly due to the seemingly concluded deal to sell the 64 Manresa apartments to the Ministry of Health and Childcare which hit a snag due to pricing and value for money with the issue still being handled by the Special Procurement Oversight Committee (SPOC) of the Procurement Authority.

During the period under review, the Corporation sold stands to different corporates including Harare Institute of Technology, ZIMRA and ZINARA through micro-mortgage schemes between the employers and the National Building Society (NBS). These funds were helping to meet the Corporation's operating expenses.

Contribution to Vision 2030

UDCORP contributes more to the Housing thematic area in terms of the contribution towards the attainment of Zimbabwe's National Development Strategy 1. The Corporation made efforts to try and resuscitate the Manresa Estate and Knockmalloch projects through the engagement of financial partners for funding possibilities. In the year 2022, the Corporation failed to secure funding from financial institutions. We are pleased and thankful to the Minister of National Housing and Social Amenities who

encouraged UDCORP's management to engage a regional financier (Shelter Afrique) for possible funding of the Corporation's projects. Management successfully applied to Shelter Afrique and awaits a response on the same.

Corporate Governance

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 PECOG Act requirements and established the required committees to guide the growth and development of the institution. Committee and Board meetings met, virtually and in person to consider matters related to the mandate of the Corporation.

Two Executive employees had their contracts expire in July 2022. The General Manager's contract expired on 31 July 2022 and was not renewed. The Commercial Services Director's contract was extended for 3 months until 31 October 2022. The contract expired and was not renewed. Interviews were held for the post of General Manager and the names were submitted for clearance. The Corporation was working with the Permanent Secretary to ensure the speedy conclusion of the process.

The Commercial Services Director Felix Mwase's contract extension expired on 31 October 2022 and was not extended. The Legal and Corporate Services Director Zvichanzii Mugota's contract expired on 17 October 2022 and was extended for 6 months she was also appointed as the Acting General Manager until the appointment of Mr Joey Shumbamhini as the substantive Chief Executive Officer.

Finances and Administration

The Corporation was able to meet most of its operational costs. During the period under review, the Corporation recorded an inflation-adjusted loss before tax of ZWL 559 million compared to ZWL 111 million's profit in 2021. Revenue from Audit Fees of ZWL 99.5 million was generated in 2022, compared to ZWL 64 million in 2021. The increase was mainly due to several 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 Corporation during the period under review managed to sell Knockmalloch stands. The stands were mainly sold in ZWL. This has posed some mismatches in some occasions where the inflows and outflows do not match as planned, but Management believes it is better to have less ZWL liquidity in the Bank and hold on to its real estate assets. Due to rising inflation, ZWL bank balances lose value daily.

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

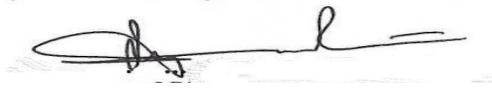
UDCORP's mandate indicates offering audit services to Local Authorities. During this report, the Corporation undertook 16 audits.

Appreciation

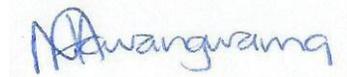
We would want to extend our gratitude to the following key stakeholders:

- 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 and
- UDCORP Clients (both Individuals and Local Authorities).



.....
Joey Shumbamhini (Mr.)
Chief Executive Officer



.....
Dr. Audrey Kwangwama
Acting Board Chairperson

CHAPTER 1: OPERATING ENVIRONMENT

1.1. Introduction

The International Monetary Fund (IMF) had projected Zimbabwe's economy would grow by 3.5% in 2022, down from 6.3% recorded in 2021. The output recovery that resumed in 2021 was expected to continue, albeit at a slower pace. The IMF, however, noted that despite some positive signs of economic recovery since 2021, double-digit inflation and wide parallel foreign exchange market premium would persist unless significant foreign exchange inflows are received by the country.

True to the IMF projection the year 2022 began with economic challenges. The second quarter continued experiencing these economic headwinds that have slowed projected economic performance for 2022. In part, the problems being experienced since the beginning of the year are due to sub-optimal weather conditions, high input costs and macro-economic challenges (increasing inflation, sluggish economic growth, etc.).

In an effort to tame Inflation, the Reserve Bank announced in June 2022 the Introduction of Gold Coins as an alternative investment outlet that would appeal to those more concerned with preservation of value.

Due to the harsh economic and operating environment, Management was carrying on with its strategy of not wholesomely selling off its real estate properties to preserve value. The gap between the official and unofficial exchange rates posed some significant risks to the operations of the Corporation. Since the Corporation Clients were mainly buying stands in ZWL, sales were in volumes that met 3-month estimated cash requirements. This posed some mismatches in some occasions where the inflows and outflows match, however, Management then believed it was better to have less ZWL liquidity in the Bank and hold on to its real assets.

During the last quarter, the Corporation experienced some liquidity constraints mainly due to the seemingly concluded deal to sell Manresa apartments to the Ministry of Health and Childcare which hit a snag. Whilst the Ministry of Health and

Childcare was happy with the price of the apartments, the Special Procurement Oversight Committee (SPOC) of the Procurement Authority believes there is no value for money. The problem was emanating from the valuations done by the Valuation Department of the Ministry of Local Government and Public Works in which the valuation was based only on the uncompleted apartment and not a completed unit. Also, the valuation did not take into account the cost of the land upon which the apartments are built and neither did the valuation factor in the supporting infrastructure, i.e., the water tank, drilling of boreholes and water reticulation cost, electrical reticulation costs, paving of the car park area and landscaping.

To enable SPOC to reach an informed decision, the Corporation provided the Committee with an itemised and priced Bill of Quantities for the apartments from the Contractor and further provided costings for the apartments. However, SPOC seemed adamant that the transaction did not ensure value for money for the government as it was the ultimate purchaser through the Ministry of Health and Child Care. The Ministry of Health and Child Care had reiterated that they were desperate to have the flats purchased as any further delays in the purchase and completion of the flats would result in a continued brain drain of critical healthcare workers who were facing accommodation challenges.

Furthermore, during the period under review, the Corporation sold stands to the staff of Harare Institute of Technology, ZIMRA and ZINARA through micro-mortgage schemes between the employers and the National Building Society (NBS).

CHAPTER 2: CORPORATE GOVERNANCE (ETHICS AND INTEGRITY)

2.1. Overview of UDCORP's corporate governance structure

As a public entity, the core of our corporate governance values is based on ensuring that we observe ethical practices benchmarked on international best practices and enhanced transparency mechanisms in place. We continuously monitor and align our mechanisms to 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. Furthermore, the Board 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 best practices for the sustainability of the business in the long term.

2.3. Mechanisms for Communication with Stakeholders

We provide a number of platforms for our stakeholders to communicate with Senior Management and the Board of Directors e.g. Annual General Meetings, notices to shareholders and stakeholders, annual reporting to shareholders and exercise of shareholders' voting rights through proxy forms. The Corporation's E-Commerce team is responsible for keeping our website and social media handles on Facebook, Twitter and LinkedIn up to date with significant aspects of corporate social responsibility, and operational and financial information which can be easily accessed by the public.

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. Declaration of Directors

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

2.6. List of Board of Directors and their roles/responsibilities

a. 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 government’s policy and international best practices of corporate governance. At the commencement of F2022 our Board of Directors consisted of three Executive Directors and nine Independent Non-executive Directors, a composition and number which is in accordance with the requirements of COBE, 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 meets quarterly to monitor the performance of the Corporation and its management and to deliberate on the strategic direction of its operations. The Corporation has a Board of Directors, with clearly defined responsibilities and objectives, for the day-to-day running of its operations. A comprehensive management reporting system ensures that each department accountable every month on operational, governance and financial matters.

Table 1. Board of Directors:

Director	Year appointment	Qualifications and Experience
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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, the 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 an 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 to the Deputy Secretary of Youth Affairs/ Head of the Youth Department.
V. Chasi	2021	Mrs Chasi is a qualified and highly experienced Legal advisor and company secretary with 13 years of 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.
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b. Directors' Remuneration

Remuneration packages for the Corporation's Executive Directors are determined by the Human Resources Committee. These packages include a guaranteed salary, allowances and bonuses which take into account the needs of the Corporation and Shareholders from time to time.

As of 31 December 2022, there were no loans from the Corporation to any Director

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 constituted by four independent Non-Executive Directors.
Housing & Technical	A. Kwangwama C. Makwiranzou S. Chikomwe T. Maphosa	The Housing & Technical Committee is constituted by 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 constituted by 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 highly qualified individuals who contribute to its growth and success. Packages primarily include basic salaries, allowances and bonuses.

Table 3: Attendance of Directors and Executives at Meetings during the 2022 Financial Year (1st January 2022 to 31st December 2022).

Director	Year of appointment	Main board	Audit	Human Resources	Finance	Housing and Technical
C. Makwiranzou	2021	3			3	2
A. Kwangwama	2021	3	2			2
S. Chikomwe	2021	3			3	2
M. Chingaira	2021	2	2	4		
T. Gambiza	2021	3	2	4		
S. G. Ndlovu	2021	2	1	4		
V. Chasi	2021	3		4	2	2
T. Maphosa	2021	3		4	1	2
B. Banda - Madya	2021	2			2	2

c. Human Resources

i. Staffing

During the period under review, the Corporation had 34 employees spread across the three Corporation's offices as follows:

Table 4: Staff Level

Sex	Harare	Gweru	Bulawayo	Total
Male	13	1	1	15
Female	15	2	2	19
Total	30	3	3	34

Table 5: Employees by level of employment

Sex	Executive	Managerial	Officer	Clerical	Support	Total
Male	1	1	13	1	1	15
Female	1	3	11	2	2	19

Total	2	4	22	3	3	34
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The Corporation has more female employees than males during the period under review. There are also more females than there are males in Managerial positions.

ii. Staff turnover

Two Executive employees had their contracts expire in July 2022. The General Manager's contract expired on 31 July 2022 and was not renewed. The Commercial Services Director's contract was extended for a period of 3 months until 31 October 2022. The contract expired and was not renewed.

Table 6: Contract types

Employment type	Audit	Technical Services	Commercial Services	Corporate	Total
Fixed term	10	7	6	2	19
Permanent	1	1	2	-	4
Short term	3	2	-	-	6
Total	14	10	8	2	34

iii. Recruitment of new Management

Interviews were held for the post of General Manager and the names were submitted for clearance. The Corporation was working with the Permanent Secretary to ensure the speedy conclusion of the process.

The Commercial Services Director Felix Mwase's contract extension expired on 31 October 2022 and was not extended further. The Legal and Corporate Services Director Zvichanzii Mugota's contract expired on 17 October 2022 and was extended for a period of 6 months she was also appointed as the Acting General Manager until the appointment of the substantive General Manager.

The Recruitment of the Technical Services Director and Commercial Services Director was yet to commence as the Corporation was experiencing cash flow challenges and was unable to flight the adverts which required ZWL4 million. The Corporation anticipated to flight the adverts before the end of December 2022 as its cash flows were expected to improve.

iv. Staff Costs

Staff costs for the first half year amount to ZWL 907 million against ZWL 250 million for the same period in 2021. The increase was due to inflationary pressures. The Corporation was yet to pay severance packages due to the previous management as cash flows were still depressed.

v. Employee Relations

The Works Council had their scheduled meetings and employees bemoaned the ever-increasing cost of living. However, they were cognisant of the difficult operating environment. The Works Council recommended the change of medical aid provider from First Mutual Medical Aid Society to CIMAS as CIMAS was offering better value for money. The Corporation moved from First Mutual Life Medical aid to CIMAS with effect from 1 November 2022 and made a saving on the medical aid costs of 35% per month.

vi. Leave Provision

The Corporation has a leave liability exposure of ZWL6, 238,173 arising out of 801 days owed to the total workforce. On average employees have 21 days each to their credit. Most staff indicated that they would utilize their leave during the Christmas period.

CHAPTER 3: OPERATIONAL HIGHLIGHTS

3.1. Major Projects

The year 2022 saw the Corporation continuing with strategies to resuscitate and unlock value on the two (2) major projects, that is, Knockmalloch and Manresa Housing developments.

3.1.1. Knockmalloch housing development

Table 7: 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 Knockmalloch Housing Project entered its 6th year without being concluded due to a myriad of challenges, especially funding. Management then realised that there was a need to change the project approach so as to maximise the full utilisation of the available resources. As a result, the project would be implemented in 3 phases,

that is, Phase 1a, 1b, 2 and 3. This phased approach would accommodate the bulk of individual and corporate clients that had already made payments towards the purchase of the stands. The completion of these phases would unlock value for the remainder of the project phases.

The project is at 32% to complete 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 (8) below shows the expenditure to date.

Table 8: 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 2022, 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 9 shows the outstanding work cost breakdown.

Table 9: 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 subsequently 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 2022, 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 comes with quite a number of advantages that might prove to be beneficial to the project in the long run. 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 recommends 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 of 31 December 2022.

3.1.2. Manresa Estate

Table 10: 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 Phase 1. 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 11: 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 time frame for all the regulatory approvals such as plan approvals is +/-1 month.

Table 12: 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 13:

Table 13: 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 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 is a result of inflation.

c. Overall Project Achievements

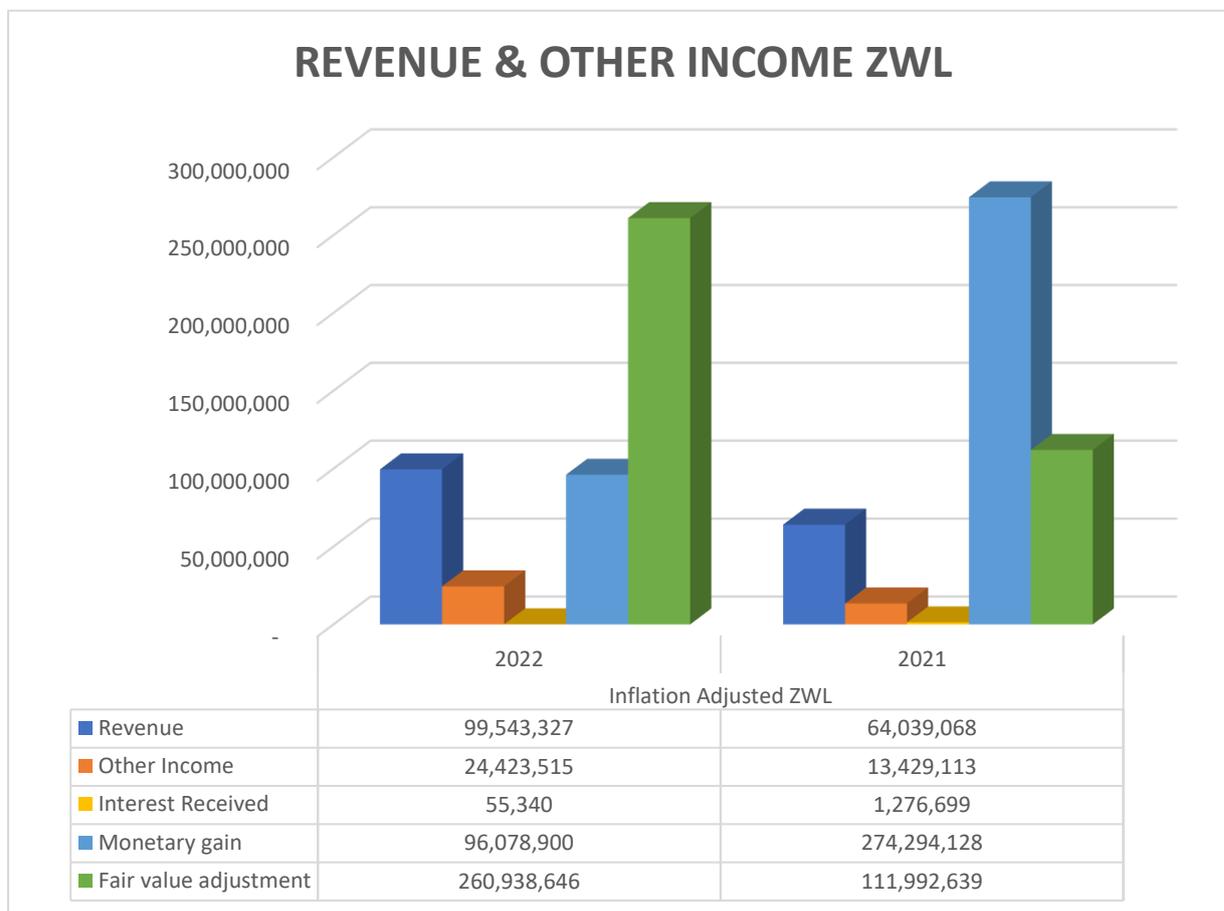
- Purchase of 5,11ha piece of land from the City of Harare at ZWL4,431 570,00 equivalent to USD 825 000,00.
- Completion of Sample Apartment Number 1
- The agreement of sale for land purchase was issued in the year 2021,
- Roofing of all four blocks and
- Glazing of block number 18.

CHAPTER 5: FINANCIAL HIGHLIGHTS

5.1. Revenue

Revenue from Audit Fees of ZWL 99.5 million was generated in 2022, compared to ZWL 64 million in 2021. 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.

Figure 1: Revenue and other income



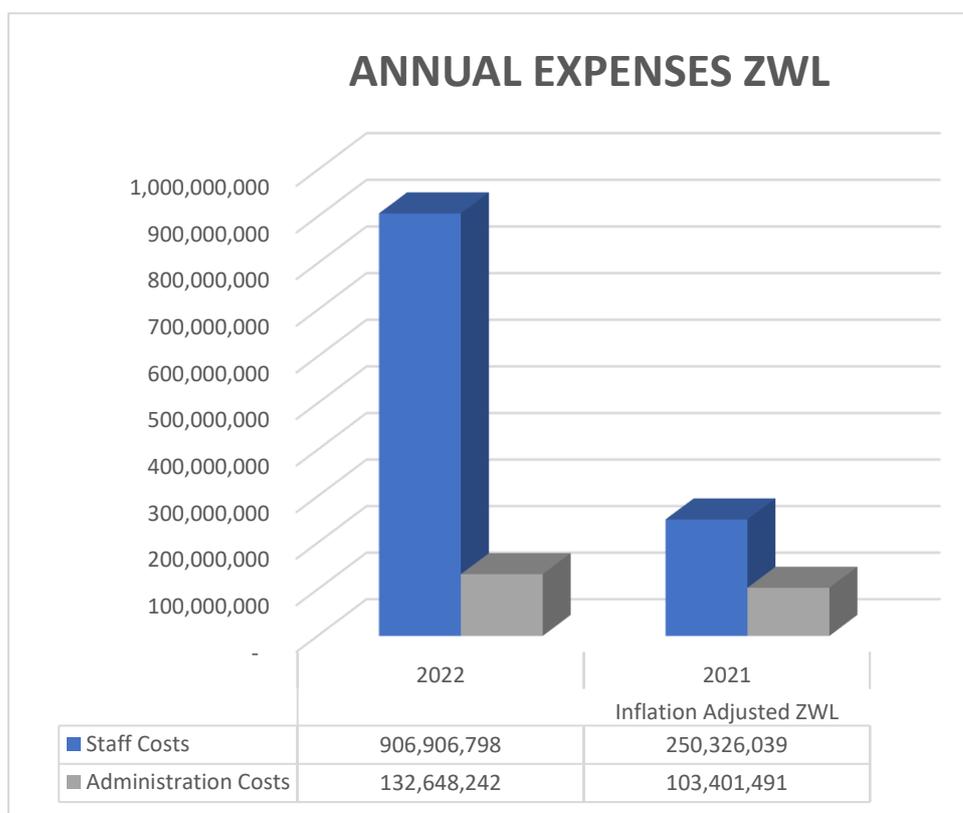
5.2. Other Income

Other Income of ZWL 24 million consists mainly of rentals received from Investment properties.

5.3. Staff Costs

A salary review was done in 2022 to bring staff salaries in line with market levels. Staff costs increased to ZWL 907 million in 2022, from ZWL 250 million in 2021. Included in the staff costs of ZWL 907 million are ZWL 426 million provisions for severance costs for three former Executives who left upon the expiry of their contracts.

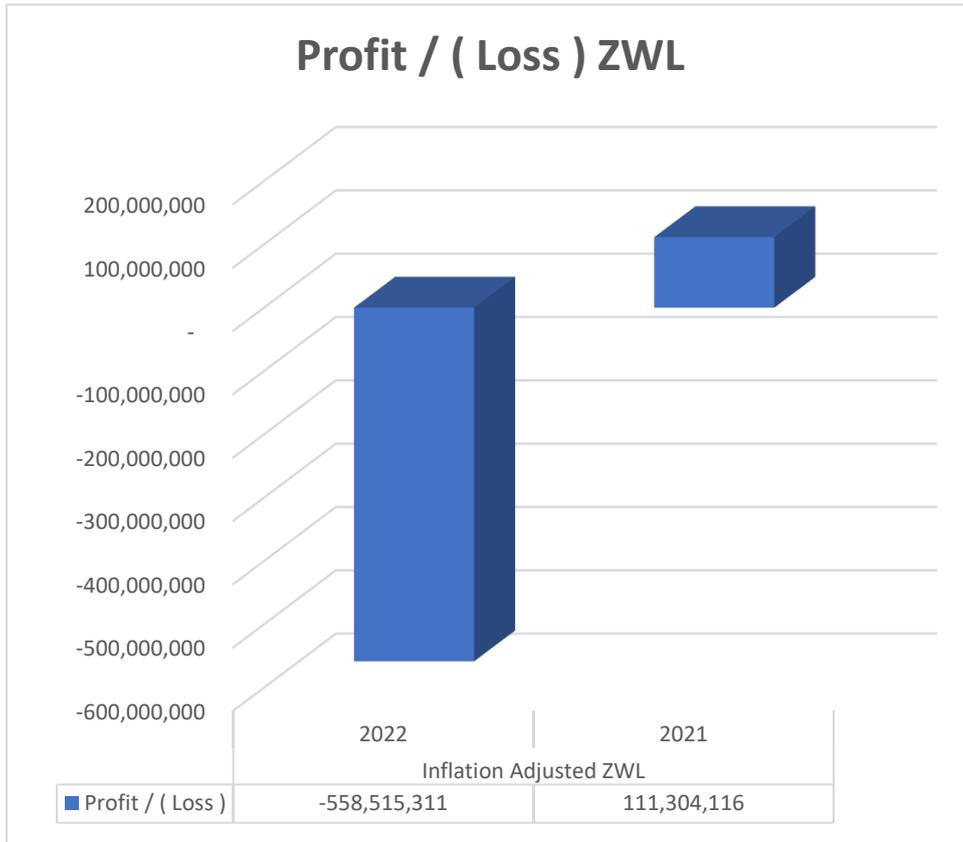
Figure 2: Annual Expenses



5.4. Loss

The operating result was a Loss of ZWL 559 million. The loss is expected to be significantly reduced upon recognition of the deferred income on stands which stands at ZWL 959 million as of 31 Dec 2022.

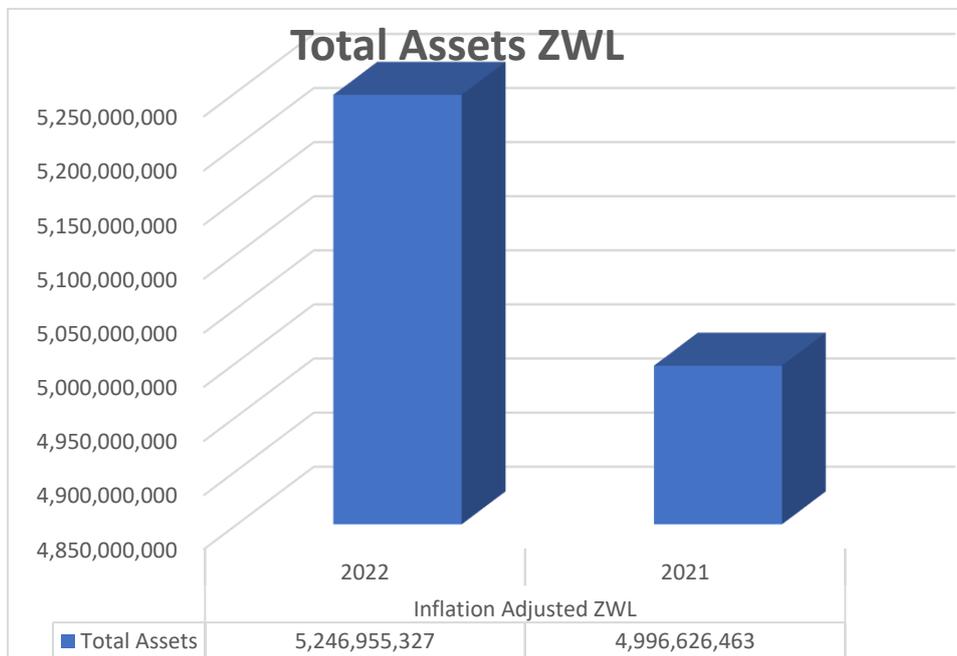
Figure 3: Loss



5.4. Total Assets

Total Asset base remained strong, at ZWL 5.2 billion, due to significant investments done in Development Properties, which were used as a hedge against inflation thereby preserving value for UDCORP.

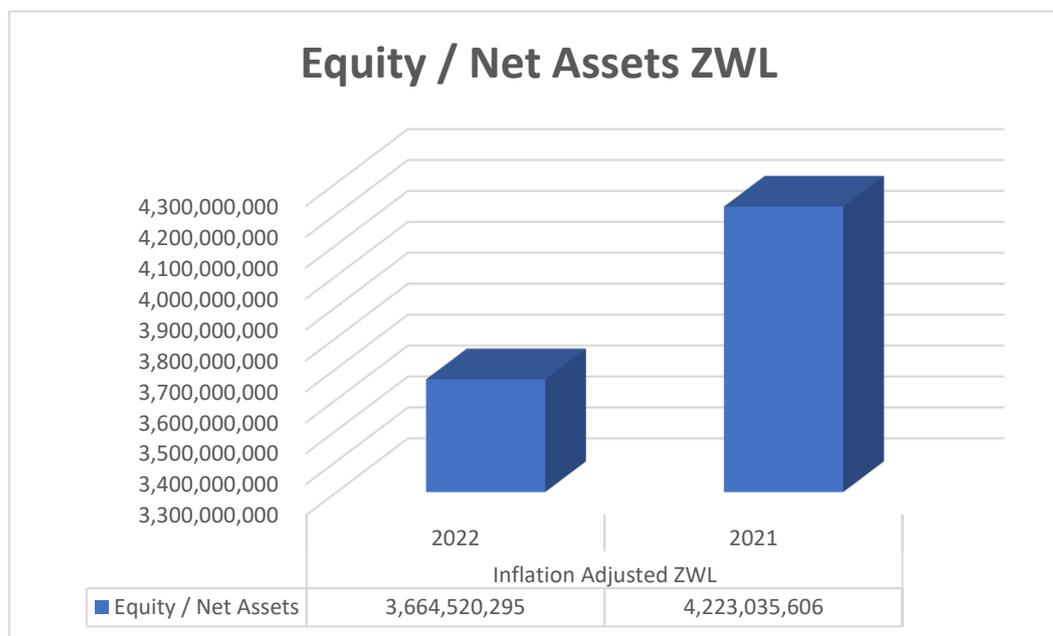
Figure 4: Total Assets



5.5. Equity

As at 31 December 2022 equity was at ZWL 3.7 billion. The decrease, from 2021, is attributable mainly to the loss situation in the current year.

Figure 5: Equity/Net Assets



5.6. Projects

Efforts to mobilise funds to complete the two flagship projects of Manresa and Knockmalloch were started, but by the end of the year, these efforts were still to yield positive results. A request to the Treasury for budgetary support of USD 4 million was submitted but was not approved by Treasury, due to budgetary constraints.

Inflation Adjusted Cost of Development properties as at 31 Dec 2022 is at ZWL 4,7 billion and was also ZWL 4,7 billion in 2021. The development properties constitute UDCORP'S Land Bank which will be unlocked to generate cash resources to be ploughed back into further housing development projects.

The value of Investment properties as at 31 Dec 2022 was ZWL 428 million (ZWL 168 million-2021).

Figure 6: Development and Investment Properties



CHAPTER 6: RISK MANAGEMENT

5.1. Risk Management Policy

i. The Board's view on risk

The Board of Directors of UDCORP believes that the 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:

I. 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.

II. 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.

III. 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.

IV. 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.

V. 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.

VI. Compliance Risk

The risk and compliance risk was being managed by the Corporation through its Internal audit department which reported to the board and regularly reviewed the Corporation's risk and internal controls.

ANNEXURE 1: 2022 AUDITED FINANCIAL REPORT