

Business Performance Report

For the quarter ended March 2021

To: Department of Communications and Digital Technologies

Date: April 2021



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Report Summary

- ✓ The business report reflects performance for quarter 4, based on the Corporate Plan 2020/21.
- ✓ The impact of Covid-19 and subsequent forecasts and KPIs adjustments has been factored in.
- ✓ The set targets were executed amidst the Covid-19 pandemic and in a period of national Lockdown which carried some trade regulations as per Alert Level 1.

This quarterly report is prepared using cumulative Quarter 4 FY2020/21 where continuing business revenue was 9% above budget mainly due to the following:

- TV was 13% above budget due to the advantage that analogue switch-off has not yet materialised.
- DTH was 19% above budget due to channel uptake from Content Aggregators as well as SABC Streaming Services.
- ✓ Operating Expenditure was 1% (R16m) below budget (R1 172m actual vs R1 156m budget) mainly due to operational activities deferred during lockdown.
- ✓ EBIT was R88m above budget (R225m actual vs R137m budget) attributed to revenues being above budget (R106m) and underspending on operational expenditure (R42m) owing to delayed activities during lockdown.

Highlights for the period under review: Q4, 2020/21



Financial Indicators Q4, 2020/21:

Indicator	% Variance	Variance (R'000)	Actual (R'000)
▲ Total Revenue	8%	R104	R1,397
▲ Continuing Business Revenue	9%	R106	R1,292
▲ EBIT	65%	R88	R225
▲ Net Profit After Tax	237%	R75	R106



Network Performance Q4, 2020/21:

👍 Weighted Average Network availability was 99.86%



Product/Sales Performance Q4, 2020/21:

- ✓ TV portfolio for quarter 4 was 13% above (R680m actual v R602m budgeted). Additional revenue of R24m was invoiced to USAASA for the DTT Migration project.
- ✓ Radio portfolio for Q4 was 1% above budget (R342m actual v R337m budgeted) due to additional stations which were onboarded earlier in the year.
- ✓ DTH portfolio for Q4 was 19% above budget (R163m actual v R136m budgeted), due to increase in channels uptake by Content Aggregators. Additional invoicing was realised for SABC Streaming services and Live streaming events for the Department of Correctional Services.
- ✓ SENTECH was successful in its tender submission and was awarded a 1-year contract with Nemisa to provide streaming services.



Human Capital Q4, 2020/21:

- ✓ Head count of 493 at a salary bill of R414 869 217.00.
- ✓ Staff turnover is 0,21% which is below the 10% standard norm.
- ✓ Staff cost down to 30% against the target 32%
- ✓ 1334 training interventions against target of 1200 (85%) implemented
- ✓ TRIR level at 0.4205% which is below 1% target.



Performance Against Objectives:

For the period under review the organisation achieved an overall 91 % of Corporate KPIs.



1. Performance Against Predetermined Objectives

There is a total of 11 Corporate Plan KPI's set out in the 2020/21 Corporate Plan. The table below sets out the detailed activities that were relevant and performed for the period under review:

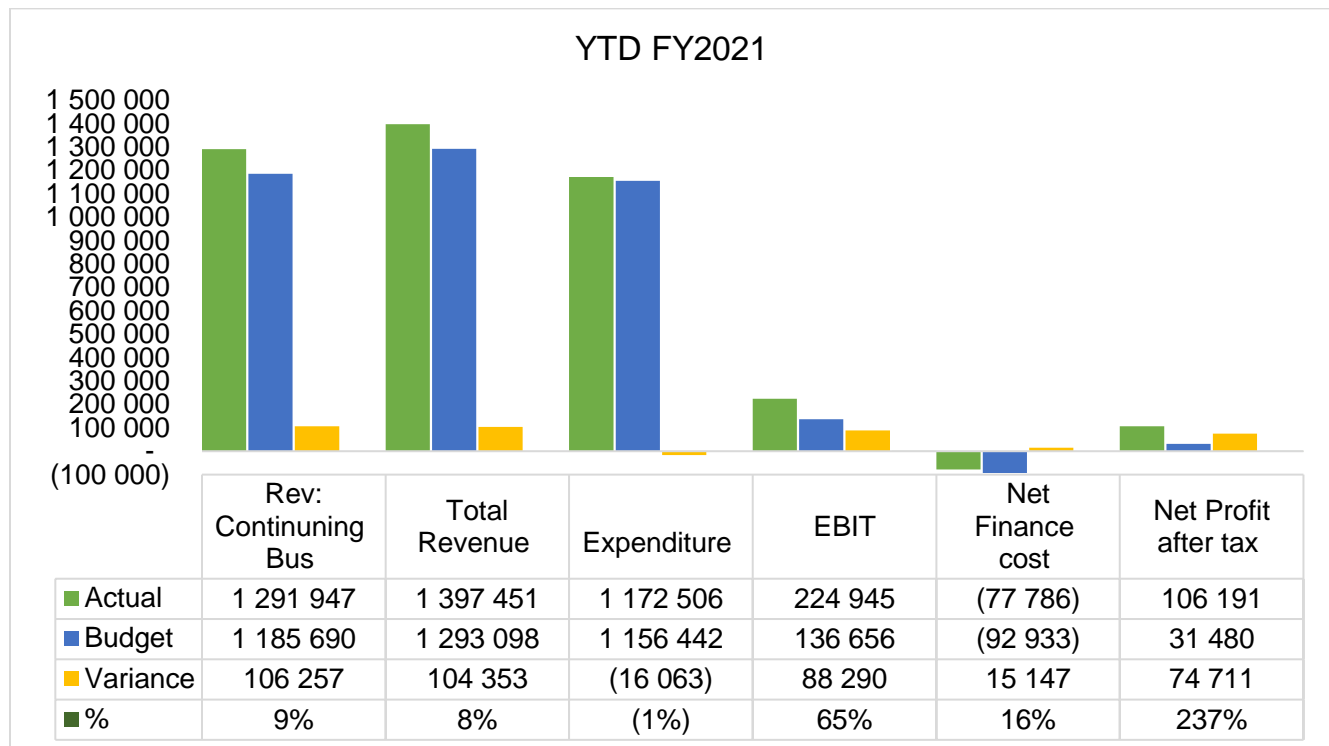
Strategic Pillar	Outcome	Outcome Indicator	Annual KPI Target	Q4 Targets	Q4 Actual Performance	Achieved / Not Achieved	Variation Explanation
Optimisation and Growth	Sustainable growth	Sales Revenue (R)	R1,185 million	R1,185 million	R1,292 million		Business revenue positive performance was bolstered by TV and DTH portfolios which were above budget at 13% and 19% respectively.
	Optimised cost structure	Earnings Before Interest and Tax (R)	R 137 million	R 137 million	R225 million		The result of revenues being above budget by R106m and underspending on operational expenditure by R42m.
Innovation and Digital Readiness	Right technology in the right place at the right time / able to use	Number of 4IR projects initiated	Two 4IR technologies initiated (Data Analytics and AI)	Two 4IR technologies initiated (Data Analytics and AI)	Two 4IR technologies (Data Analytics and AI) have been initiated. A platform for Broadcast Network Intelligent Alarm Prediction system and Intelligent Learning platform has been completed.		Improved planning and better collaboration has resulted in the attainment of this KPI.
	Focused pipeline of innovative products and platforms that deliver strategic and operational value	Number of digital products launched for commercial customers	2 digital products launched for commercial customers	2 digital products launched for commercial customers	The soft launch of the NEMISA hosted platform has been completed for Data Centre services. PoC initiated with Department of Correctional Services for VoIP product.		Renewed focus on execution has made it possible to achieve this target.
Customer Centricity	• Satisfied customers/stakeholder	Percentage Customer satisfaction levels	Customer satisfaction levels of baseline +5%	Customer satisfaction levels of baseline +5%	Overall customer satisfaction levels at 65% against the 76,6% target		Broadcast segment scored lowest which affected other segments (broadband and MIS) which indicated good improved performance.
	• High customer Loyalty NPS	Percentage weighted average availability based on product revenues	99.80% Weighted average availability based on product	99.80% Weighted average availability	99.86% Weighted average availability based on product revenue achieved		Better network management has led to attainment of this target.

Strategic Pillar	Outcome	Outcome Indicator	Annual KPI Target	Q4 Targets	Q4 Actual Performance	Achieved / Not Achieved	Variation Explanation
				based on product			
		Developed blueprint for the New Broadband Network Company (NBNC)	Strategy Document for the New Broadband Network Company (NBNC)	Corporate strategy developed for the NBNC	Corporate strategy has been developed for the NBNC		Follow-through to speed up execution resulted in this target being achieved
Talented People	Right people in the right place at the right time with the right skills and mindset	Percentage of planned skills training interventions implemented	85% of planned skills training interventions implemented	85% of planned skills training interventions implemented	95.6% of planned skills training interventions implemented		Better planning and execution resulted in the overall positive outcome.
Transformation	Contribution to industry transformation goals	Percentage of allocated budget spent on Enterprise and Supplier Development (ESD)	100% of allocated budget spent on ESD	100% of allocated budget spent on ESD	100% allocated budget spend (R5m) on ESD achieved (3 Enterprises supported and 1 Supplier Developed with financial grant)		Improved internal collaboration and support has resulted in this KPI being achieved.
Environmental Preservation	Carbon footprint reduced Energy efficiencies achieved	Number of sites converted to green energy supply	2 sites converted to green energy supply	2 sites converted to green energy supply	2 sites converted to green energy supply in Pongola and Grey Town Dorp		Renewed focus on execution has made it possible to achieve this target in the midst of lockdown challenges
Reputation	<ul style="list-style-type: none"> Clean audit Increased brand equity 	Clean audit achieved	Clean audit achieved	Complete and issue Interim Financial Statements for the 9 months period ending 31 December 2020	Completed and issue Interim Financial Statements for the 9 months period ending 31 December 2020		Improved focus has resulted in attainment of this KPI.



2. Financial Performance

2.1. Financial Summary



SENTECH YTD (2020/21) Financial Performance Summary

2.2. Statement of Profit and Loss and Other Comprehensive Income

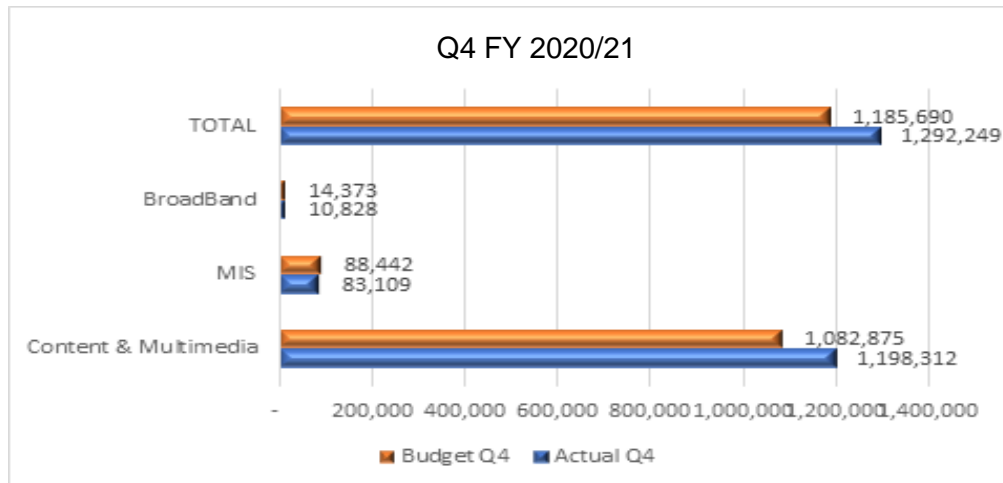
Description	Quarter 4 FY2021				YTD FY2021			
	Actual R'000	Budget R'000	Variance R'000	%	Actual R'000	Budget R'000	Variance R'000	%
Revenue	298 878	289 945	8 933	3%	1 291 947	1 185 690	106 257	9%
Employee costs	(87 989)	(108 593)	20 603	19%	(394 858)	(421 874)	27 016	6%
Depreciation and amortisation	(59 707)	(69 258)	9 551	14%	(256 038)	(228 784)	(27 253)	(12%)
Lease expenses	(8 723)	(8 481)	(242)	(3%)	(35 120)	(33 924)	(1 196)	(4%)
Operating expenses	(62 318)	(40 384)	(21 934)	(54%)	(237 064)	(218 494)	(18 570)	(8%)
Direct expenses	(59 996)	(67 364)	7 368	11%	(249 427)	(253 366)	3 940	2%
Dual Illum incremental costs recovery	35 866	39 683	(3 817)	(10%)	105 504	107 408	(1 904)	(2%)
Normalised Operating Profit	56 011	35 549	(20 462)	(58%)	224 945	136 656	88 290	65%
Dual Illumination Revenue	35 866	39 683	(3 817)	(10%)	105 504	107 408	(1 904)	(2%)
Dual Illum incremental costs recovery	(35 866)	(39 683)	3 817	10%	(105 504)	(107 408)	1 904	2%
Operating Profit	56 011	35 549	(20 462)	(58%)	224 945	136 656	88 290	65%
Finance income	17 993	11 306	6 687	59%	66 639	87 416	(20 777)	(24%)
Finance costs	(36 143)	(45 086)	8 943	20%	(144 425)	(180 349)	35 924	20%
Profit/(loss) Before Taxation	37 861	1 769	(36 092)	(2040%)	147 159	43 723	103 436	237%
Taxation	(10 601)	(495)	(10 106)	(2040%)	(41 204)	(12 242)	(28 962)	(237%)
Profit or (Loss) for the year	27 260	1 274	(25 986)	(2040%)	106 191	31 480	74 711	237%

SENTECH Statement of Profit & Loss Q4 and YTD (2020/21)



3. Sales Performance

The overall revenue performance for quarter 4 was 9% (R105m) above budget (R1 292m actual vs R1 186m budget).



SENTECH Sales Performance Q4 FY 2020/21

TV portfolio for Q4 was 13% above (R680m actual v R602m budget). An additional revenue of R24m was invoiced to USAASA for the DTT Migration project. SENTECH afforded the SABC an additional R50m discount during the months of February and March 2021 which affected the overall revenue performance of the product line. The SENTECH/MIH DTT negotiations were concluded whereby the broadcaster agreed to remain on the current 50 DTT sites as supposed to only 14 sites as requested. ASO has commenced in the Free State and during the month of March 2021 Bethulie (LP), Boesmanskop, Dewetsdorp, Ficksburg, Hobhouse (LP), Ladybrand and Springfontein analogue sites were switched off and tariffs for these sites has been discontinued. DTT tariffs for the SABC at Ladybrand and Boesmanskop was implemented and will commence from April 2021 onwards.

Radio portfolio for Q4 ended 1% above budget (R342m actual v R337m budget) due to additional stations which were onboarded earlier in the year i.e. Lekker FM and Waterberg FM. MW performed on target.

DTH portfolio for Q4 was 19% above budget (R163m actual v R136m budget), due to increase in channels uptake from Content Aggregator, the SABC Streaming services and Live streaming events for the Department of Correctional Services. SENTECH was successful in its tender submission and was awarded a 1-year contract with Nemisa to provide streaming services.

MIS portfolio for Q4 was 6% below budget (R83m actual v R88m budget) due to Cell C sites cancellations (R350k per month running for 7 months) which was not budgeted for. The impact of Covid-19 pandemic resulted in SABC been given a lease for free at Nasrec, which delayed a few tier 3 planned upgrades at Nasrec, resulting in a delays to onboarding datacentre customers. The discussions with MNOs for 3rd party contract management services related to the traditional council were also delayed but well underway. However, Covid-19 delayed contract signoffs and collections for the traditional councils. A pilot/soft launch for datacentre services running for the period of 3 months will be starting in Q1 of 2021/22 FY, services includes streaming, storage and computing services.

Connectivity for Q4 was 25% below budget (R11m actual v R14m budget) due to late billing of the phase 1B and the delay is completion of the current 20 sites and 20 phase 1A sites and other leads that did not materialise. GBN and Limpopo projects have been revived and are both at advanced stages. NW Library proposal was submitted and waiting for the response from the customer. Business Case to take over SAConnect Phase 1A sites from Comsol has already been submitted. The partnership with Rain is also at advanced stage which will enable SENTECH to compete in the 5G market. SENTECH has preparing to bid for the Department of Environmental Affairs tender and expects feedback results in Q2 FY2021/22.



4. Network Performance

The overall weighted network availability performed above the SLA target at 99,86% for Q4. However, DTT performed below the SLA target. This was due to network affecting failures on the main feeder sites impacting the RBR sites, more specifically the STG failure at Constantiaberg with many RBR sites. UPS repairs and upgrades on sites in the Eastern region has seen the DTT performance improve overall during Q4. ASO programme has commenced with 7 sites' ATV services terminated in March 2021. This will mitigate the risk facing the ageing ATV network.

National Network Performance – Q4 FY2021

Network Services	SLA Target (%)	SENTECH Performance(%)	R'000	Weighted Ave (%)	KPI SLA Target
Analogue Television	99,70	99,83	108055	36,96	36,95
FM Radio	99,70	99,87	85126	29,13	29,11
Medium Wave Radio	99,50	99,94	38351	13,13	13,11
Satellite	99,80	100,00	40446	13,86	13,83
Connectivity Services	99,70	99,99	3032	1,04	1,04
DTT Commercial	99,61	99,56	16853	5,75	5,76
			291863	99,86	99,80

SENTECH Network Performance Q4 2021



5. Governance

The Board continued to provide oversight over the business of SENTECH in the midst of the scourging and debilitating effects brought about by the COVID-19 pandemic overall to national and global business and the general well-being of all persons.

One of the priority matters that was considered by the Board during this quarter was the revised Corporate Plan for the period FY 2021/22 to FY 2023/24, the SDIC report, the implementation of the FY2020/21 Sustainability Strategy and that of the FY 2020//21 Stakeholder Engagement Strategy, the acceleration of the Analogue Switch Off with Digital migration targeted to be completed by March 2022 and the contractual relationship with the South African Broadcasting Corporation/

SENTECH complied with its statutory and regulatory prescripts for the quarter and submitted to the Department the Third Quarter Business Performance Report and the draft Corporate Plan FY2021/22 - 2023/24 on 31 January 2021 which were approved by the Board on 28 January 2021. The Quarterly Report was also submitted to National Treasury.

Below is information on governance matters pertaining to the fourth quarter of the FY 2020/21, highlighting the Board and Board Committee meetings which were held on scheduled dates in compliance with the approved Corporate Calendar and in compliance with approved Charters of the Board Committees and the Board. There were also other special meetings which were held to address urgent strategic matters.

5.1 Board and Board Committees meetings

The Board has five committees i.e., Audit and Risk Committee; Human Resources, Nominations and Remuneration Committee; Social and Ethics Committee; Technology, Sales and Regulatory Coordination Committee and the Investment Committee. The Board and its Committees meet quarterly.

The following Board and Board Committees' meetings were held during the reporting period:

Meetings	Date
Ordinary Board	28 January 2021
Special Board	26 February 2021
Ordinary Human Resources, Nominations and Remuneration Committee	19 January 2021
Ordinary Audit and Risk Committee	20 January 2021
Special Audit and Risk Committee	27 January 2021
Special Audit and Risk Committee	17 February 2021
Ordinary Technology, Sales and Regulatory Coordination Committee	18 January 2021
Ordinary Social and Ethics Committee	19 January 2021
Ordinary Investment Committee	20 January 2021

The special Audit and Risk Committee meetings were held to consider the reports relating to the Intelsat contracts, Delegation of Authority and Policies.

The Special Board meetings were held to consider the FY2021/22 – FY2023/24 Corporate Plan and the FY2021/22 Shareholder Compact.

5.2. Directorships

- (a) The Directorship was changed with the untimely passing on of King Madzikane II Diko on 21 February 2021 and the end of term of office of Ms Tebogo Elizabeth Malaka on 31 March 2021.
- (b) Ms Makole Maureen Manyama tendered her notice of resignation as a Non-Executive Director on 19 March 2021 with the effective date of resignation being 30 April 2021.



6. Internal Audit Report

6.1. Progress against 2020/ 2021 IAP for Q3 and Q4

6.1.1. Quarter 3 Planned Audits

Please note the updates on the Q3 planned audits made in Q4 (purple heading).

Name of Internal Audit	Report Rating once issued	Q4 Audit Status
Asset Management	Significant matters	Awaiting Management Comment
Supply Chain Management	Other important matters	Report Issued
Internal Financial Controls	Other important matters	Report Issued
Q2 Business Continuity Management	Other important matters	Report Issued
Q2 Performance Information Reporting	Other important matters	Report Issued
Q2 Irregular and Fruitless and Wasteful Expenditure	Other important matters	Report Issued
IT General Controls Review Follow Up (Outsourced)	Administrative matters	Report Issued
IT Audit Network Vulnerability Follow up (Outsourced)	Significant matters	Awaiting Management Comment

6.1.2. Quarter 4 Planned Audits

Name of Internal Audit	Q4 Audit Report Issued	Report Rating once issued	Expected date of completion
Q3 Business Continuity Management Review	Report Issued	No findings reported	N/A
Q3 Performance Information Reporting	Awaiting Management Comment	Other important matters	9 April 2021
Q3 Irregular, Wasteful Expenditure Review	Awaiting Management Comment	Significant matters	7 April 2021
Q4 OC Audit: Port Elizabeth	Report Issued	No findings reported	N/A
Q4 OC Audit: Eastern Region Infrastructure	Awaiting Management Comment	Other important matters	9 April 2021
Q4 OC Audit: Eastern Region Office	Awaiting Management Comment	Other important matters	9 April 2021
Q4 OC Audit: George	Report Issued	Administrative matters	N/A
Q4 OC Audit: Middelburg	Awaiting Management Comment	Other important matters	9 April 2021
Q4 OC Audit: Umtata	Report Issued	No findings reported	N/A
Q4 OC Audit: Vryheid	Report Issued	Significant matters	N/A

6.2. Progress against approved *ad hoc* requests for Q3 and Q4

6.2.1. Quarter 3 *ad hoc* audits/ reviews

Please note the updates on the Q3 approved *ad hoc* requests made in Q4 (purple heading).

Name of Ad-hoc Audit	Report Rating once issued	Q4 Audit Status
Other Ad-hoc Assignment and Consulting Services:		
1. Q3 External forensic investigation	Investigation started	Expected date to finalise mid-April 2021
2. Q2 Investigation of allegations – HR related	Significant	Investigation report issued
3. Q3 Investigation of allegations – HR related	WIP	WIP

6.2.2. Quarter 4 *ad hoc* audits/ reviews

Name of Ad-hoc Audit	Audit Report Issued	Report Rating once issued
1. Board requested review - Intelsat	Report Issued	Administrative finding
1. SENT/019/2020-2	Report Issued	No findings reported
2. SENT/022/2020-21	Report Issued	No findings reported
3. SENT/016/2020-21	Report Issued	No findings reported
4. Quote No: RFx	Report Issued	No findings reported
5. SENT/025/2020-21	Report Issued	No findings reported
6. SENT/021/2020-21	Report Issued	No findings reported
7. Procurement of 36 MHz Ku-Band satellite capacity from Intelsat	Report Issued	No findings reported
8. SENT/029/2020-21	Report Issued	No findings reported
9. SENT/029/2020-21	Report Issued	No findings reported
10. RFx 6000000358	Report Issued	No findings reported
11. SENT 019/2019-20.	Report Issued	No findings reported
12. SENT 019/2019-20.	Report Issued	No findings reported
13. SENT/030/2020-21	Report Issued	Significant finding
14. RFQ – Worldcast transmitters	Report Issued	No findings reported

7. Management Letter Points

As part of the client engagement process, the external audit engagement team identified issues that required reporting to management and other parties charged with governance. To deal with these issues, and in accordance with normal practice, the external auditors wrote to draw managements' attention to certain matters which were identified during the audit of SENTECH's financial statements for the year ended 31 March 2020.

During the 2019/20 financial year end audit, a total of 8 management letter points was raised with key findings related to Finance, SCM, Legal and Operations divisions. The table below provides a summary progress that is made to date regarding the MLPs. For detailed listings of the findings and resolutions, please refer to the Annexure C.

Status	FY2020 MLPs	% of total
Completely Addressed	5	62,5%
In Progress	2	25%
Not completed	1	12,5%
Total	8	100%

Summary progress on FY2020 MLPs

8. Risk Management Report

Report Summary

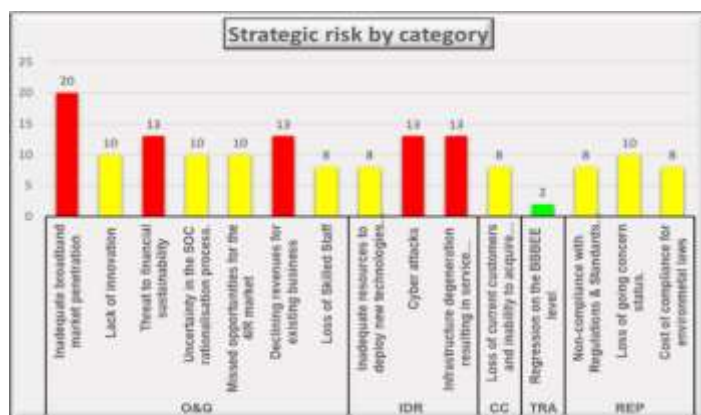
1.1 Purpose

The purpose of this report is for the Committee to note and recommend to the Committee, significant strategic, new and emerging risks, covid-19 risks, DTT risks and fraud prevention plan including risks for the year ended 31 March 2021.

The strategic risk register details the risks, contributing factors to the risks, risk analysis (ratings) and the mitigations to the risk that are matched against the strategic objectives and outcomes. The risk register also includes key risk indicators that is used to monitor risks that might be materializing. The following table summarized the identified risks.

Total # of strategic risks	14	
Number Inherent Risk	High	13
	Medium	2
Number Residual Risk	High	5
	Medium	8
	Low	1

The following graph details the strategic risks that have been identified according to the risk categories the full risk register is attached in **annexure A**:



The risk of uncertainty in the SOC rationalisation process has been reduced to a medium risk. Most of the KPI's will be achieved however financial sustainability related risks remains and most of them will be carried into the new financial year. The risks relating to innovation and 4IR will not be included in the strategic risk register in the coming financial year.

The risks are captured on the operational risk register of research and innovation.

1.2 New and Emerging Risks

There is one new and emerging risk identified during quarter 4 relates to the court interdict by Telkom. The interdict requires the minister to give an assurance that the migration process for the vacation of the broadcasting transmitter and antennae from the 700 MHz 800MHz spectrum bands is completed prior to the spectrum auction. This may mean migration may need to occur earlier than March 2022. It is unlikely that this would happen, and it is more likely that the auction may be postponed and as such the risk is a low risk and we will continue to monitor the developments.

There are new risks that might be identified based on the draft national data and cloud policy directive that was issued by the Minister of DCDT. The policy is being studied and any identified risks will be communicated.

1.5 Fraud Prevention Plan

Fraud prevention plan was revised for the financial year 2020/21 that includes the awareness programmes. In Quarter 3 Risk & Compliance ran a Fraud Awareness week campaign focusing on how technology can be used in the fight against fraud.

Fraud risks

All the identified fraud risks are constantly being monitored. All the fraud risks rated low have been removed from the report, however they constantly being monitored. A new risk of kickbacks and bribery has been identified and added onto the fraud risk register. The updates on the high fraud risks is attached in the annexure A of this report.

1.3 DTT Risks

The DTT risks are continuously being monitored in the DTT risk register. Delays in the DTT projects remains a critical risk to SENTECH. The risk of broadcaster's reduction of sites is high and may impact the sustainability of the organisation. The early ASO will assist in reduction and even elimination of some of the risks. The details of the High DTT risks are attached in *Annexure A*.

Previously reported covid-19 emerging risks:

#	Risk/ Opportunity Description	Controls	Status
1	Infection and spread of the covid19 in SENTECH due to employees not reporting.	Covid19 response plan Implementation of the employee guidelines Implementation of the Health and Safety policy	Continued implementation of the plans and review as and when regulations change including remote working policy.
2	Service disruption due to office closures	Implementation of Business Continuity Plan	BCP will be reviewed post the state of disaster.
3	Poor connectivity, system failures and lack of IT tools resulting in service disruptions	Technology response plan Emergency procurement plan and sourcing alternative suppliers IT disaster recovery plan	Upgrade of the of the DR system Testing of the DR plan is scheduled to be conducted in July.
4	Abuse of leave due to remote working environment.	Implementation of Leave Management Policy Workplace guidelines	Implementation of the remote working policy.
5	Unavailability of spares and consumables to carry out required operations, maintenance and upgrades due to lockdown restrictions.	No current control	Analysis of dependency and supplier engagement.
6	Poor productivity due to remote working conditions	Implementation of supervisory controls Workplace guidelines	Develop and implement the remote working policy.



9. Human Capital Report

Focus Area	Quarterly Targets	Progress Review May
Optimisation of human capital related costs	The target is to ensure staff costs do not exceed 32% of revenue.	SENTECH had a staff complement of 493 permanent employees, the staff costs for the period under review are R414 869 217.00 which translate to 30.3% of revenue for the quarter and the target is to reduce it to 32% of revenue. One permanent employee was terminated for the period under review resulting in a staff turnover rate of 0.21% .
	Optimal organisational architecture by Q4.	The SCM process to appoint a service provider was re-started to ensure a capable and experienced service provider is appointed. The organisational design has been initiated by developing a draft operating model and design principles.
Talented People	Implementation of training and development programme to build mission critical capabilities.	The Q4 target of 85% (1020) was achieved and exceeded with 1334 (111%) training interventions out of an overall target of 1200 (100%) implemented for the under-review period. The complete training plan is being implemented to ensure we have the right skills in place.
	Mission critical skills in place.	Mission critical skills have been identified by the talent management forum. Internet of things, 5G, Data Science and Web developer have been implemented for R&I, Technology and Operations teams. Leaderships development with University of Stellenbosch has been implemented with 106 specialists, team leaders, managers and heads participating on the programme.
Skills Development Spend	The total Skills Development (SD) spend target for the 2020/21FY is 6% of payroll.	The SD spend of 6% against payroll has been achieved for the period under review.
Transformation Plan	Achieve 38% of women representation by Q4.	Women representation is currently at 37%, the target is to achieve 38%. The current employment equity statistics reflect that 88% of staff in the organisation is black. At top management levels, 100% are black and 0% women; 100% of executive management is black and 50% women. Senior management is 88% black and 47% are women, and 82% of specialists and middle management levels are black and 31% women. The number of people living with disabilities is 1.2% (6).
Manage TRIR levels	Ensure TRIR levels are below 1%.	<p>Average TRIR level for the period under review is 0.1555% for Q4 and 0.4205% p/a which is still within the limit of 1%.</p> <ul style="list-style-type: none"> There were 13 recordable Covid-19 cases and one vehicle accident reported for the period under review.

Focus Area	Quarterly Targets	Progress Review May
Employee Relations	Effective stakeholder management and resolution of ER matters.	<ul style="list-style-type: none"> • CCMA and Labour Court <p>Two arbitrations were held in the period under review, for payment of incentive bonus in the wrong grade. CCMA awarded the employee compensation for two months. The second arbitration is part heard and set down for mid- April 2021.</p> <ul style="list-style-type: none"> • Discipline and Grievances <p>Disciplinary hearing for IS employees finalised and a Final Written Warning issued for disorderly behaviour and filed in the personal files. One grievance for pro-rated payment of Incentive bonus. Hearing to be finalised by 16 April 2021. Two mediation hearings held. One finalised and the other awaiting chairperson's report.</p> <ul style="list-style-type: none"> • Collective Bargaining <p>Termination of the Agency Fee Agreement with CWU with Effect from 01 March 2021.</p>

10. Conclusion

For the period under review, amidst tough economic climate that has been characterised by high unemployment; low investor confidence resulting in reduced advertising spent for broadcasters, SENTECH has shown its resilience in delivering its set targets. The organisation reported 91% overall achievement of its corporate KPIs.

Continuing business revenue was 9% above budget (R106m) above budget (R1 292m actual vs R1 186m budget) and EBIT was R88m above budget (R225m actual vs R137m budget) and operating expenditures was 1% (16m) below budget (R1 172m actual vs R1 156m budget).

Overall product performance was marginally above target at 99,86. However, DTT performed below the SLA target due to network failures on the main feeder sites impacting the RBR sites, more specifically the STG failure at Constantiaberg with many RBR sites.

There were 13 recorded Covid-19 cases and the organisation has continued to provide support and ensure adequate supplies of protective equipment is provided. It should be noted that the set targets were executed amidst the Covid-19 pandemic and in a period of national Lockdown Alert Level 1 which carried some trade regulations.

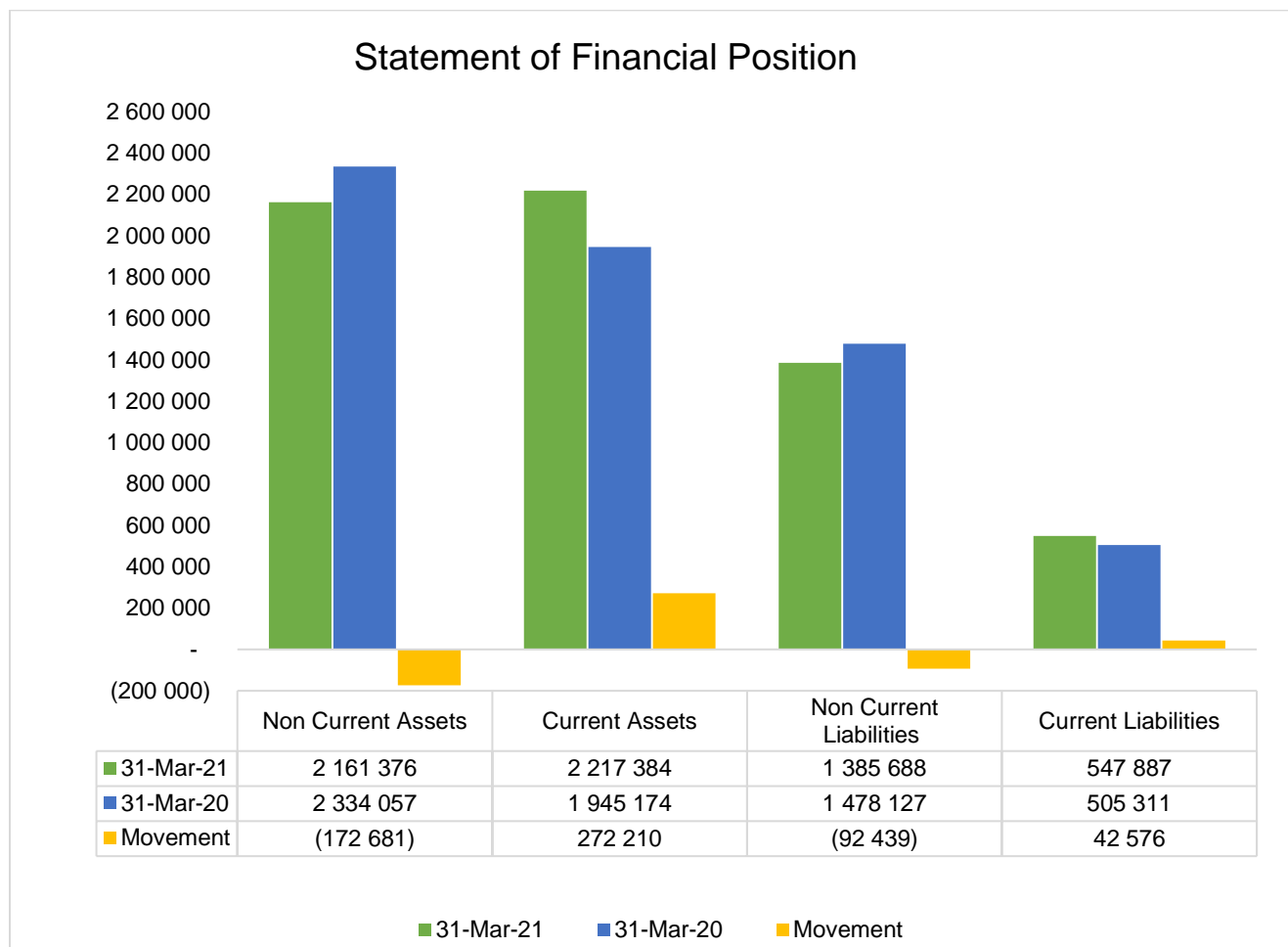
Annexures

Annexure A: Financial Reports

For the period ended 31 March 2021

	Mar-21	Mar-20	Movement
	R'000	R'000	R'000
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	1,079,987	1,105,368	(25,381)
Intangible assets	20,675	22,585	(1,910)
Right of Use assets	1,060,714	1,206,104	(145,390)
	2,161,376	2,334,057	(172,681)
Current Assets			
Inventories	54,656	54,693	(37)
Deferred Tax	37,504	37,504	-
Trade and other receivables	114,670	336,584	(221,914)
Cash and cash equivalents	2,010,554	1,516,393	494,161
	2,217,384	1,945,174	272,210
Total Assets	4,378,760	4,279,231	99,529
EQUITY			
Share capital	75,892	75,892	-
Reserves	776,015	776,015	-
Accumulated profit	1,550,078	1,443,886	106,192
	2,401,985	2,295,793	106,192
LIABILITIES			
Non-current liabilities			
Employee Benefits	11,434	11,434	-
Lease liability	1,374,254	1,466,693	(92,439)
	1,385,688	1,478,127	(92,439)
Current liabilities			
Tax Payable	804	4,518	(3,714)
Trade and other payables	122,840	129,303	(6,463)
Current portion of Lease liability	102,026	111,301	(9,275)
Deferred income	365,417	214,189	151,228
Provisions	-	46,000	(46,000)
	591,087	505,311	85,776
Total liabilities	1,976,775	1,983,438	(6,663)
Total Equity and Liabilities	4,378,760	4,279,231	99,529

Statement of Financial Position



The major change to the statement of financial position from prior year was on:

✓ **Non-current Assets:**

Fixed assets movement is mainly in respect of assets depreciation and amortisation for the period.

✓ **Current assets:**

- Cash and Cash equivalents increased by R494m from prior year mainly due to grant funds received for the DTT project (R265m ,dual and D2D) & interest received on invested funds and customer collections.
- Trade and other receivables reduced by R222m mainly owing to:
 - Customers paying on payment holidays arrangements resulting after Covid-19 (refer to the below table).
 - Accounts receivable was reduced by provision for bad debts oh R30m.

YTD Expense Type	Reasons for Variance
Employee costs	Cost of sales were 6% (R27m) below budget (R395m actual vs. R422m budget) mainly due to employee cost not adjusted in the period financial period and employee resignations.
Depreciation	Depreciation costs were 12% (R27m) above budget (R256m actual vs. R228m budget) mainly due to the additions and ROU depreciation being above budget.
Operating expenses	<p>Operating expenses were 8% (R18m) above budget (R237m actual vs. R218m budget) owing to expenditure i.r.o. of the following:</p> <ul style="list-style-type: none"> ➤ Contribution of R4m towards the Solidarity fund, ➤ Bad debt provision increase regarding non-performing debtors. ➤ Security cost owing to additional security after break ins in 5 sites in the eastern region. ➤ Communication costs increased owing to a rise in 3G usage, and ➤ telephone calls owing to the people working from home. ➤ Both cell phone (voice and data) and 3G data costs increased due to an increase in allocation of users who previously did not qualifying for cell phones or laptop <p>However, there were less costs on</p> <ul style="list-style-type: none"> ➤ Other personnel cost regarding personnel functions, staff refreshments and transfer costs. ➤ Consulting and legal costs were less than planned.
Direct expenses	Direct expenses were 2% (R4m) above budget (R249m actual vs. R253m budget) mainly owing to budgeted included medical evaluations not yet conducted.

Annexure B: Capital Budget Q4

The capital expenditure approved for the FY2021 was R242 million (R190m SENTECH funds and R52m grant funds).

At the end of March 2021, R64 million was spent and R44m committed as shown in table below, with R149 million still to be expended for the remainder of the year.

Actual expense

Division	Budget	Expenditure	Commitments	Variance	Total Expenditure & POs
Operations	124,384	48,410	29,334	46,640	77,744
Technology	50,000	9,692	12,859	27,449	22,551
Research & innovation	15,400	6,226	2,059	7,115	8,285
External fund	52,000	-	-	52,000	-
Grand total	241,784	64,328	44,252	133,204	108,580

	27%	18%	55%	45%
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Annexure C: Debt Restructured

SENTECH offered covid-19 relief to 31 of the 32 customers that applied (excluding Community Broadcasters), some customers have started honouring the debt payment plan as shown below.

Customer	Deffered Payment Schedule (R'000)								Total Amount Restructured	Payments Received at 31 March 2021	Balance of Restructured Debt Owning
	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21			
SABC	-	27,212	27,212	27,212	27,212	27,212	27,212	54,424	217,694	(217,694)	-
E. TV	-	3,251	3,251	3,251	3,251	3,251	3,251	-	19,508	(19,508)	-
Platco	-	1,277	1,277	1,277	1,277	1,277	1,277	-	7,662	(7,662)	-
*Capricorn FM	-	326	326	326	326	326	326	326	2,285	-	2,285
*Power FM	-	254	254	254	254	254	254	254	1,775	-	1,775
*Rhythm FM	-	24	24	24	24	24	24	24	168	-	168
*Beat FM	-	1	1	1	1	1	1	1	10	-	10
Commec	-	200	200	200	200	200	200	-	1,201	(1,143)	57
Ethniks	105	105	105	105	105	105	-	-	629	(629)	-
Classic FM	42	42	42	42	42	42	-	-	252	(252)	-
WiruLink	17	17	17	17	17	17	-	-	101	(101)	-
Radio Hindvani	16	16	16	16	16	16	-	-	95	(95)	-
	179	32,725	32,725	32,725	32,725	32,725	32,546	55,029	251,379	(247,084)	4,295

* No payment made payment received towards settling payment holiday arrears. The non-paying customers have been issues with letters of demand, and if they still don't pay, they will be handed over to legal for litigation.

The debtors' book is managed within 30 days aging, unless otherwise stated in the contract. Customers who don't pay within 30 days are sent an e-mail reminder, and if payment is still not received after 60 days, a letter of demand is issued giving the customer 7 working days to make payment. If payment is still not received, the service is suspended. Efforts to collect will continue and if still unsuccessful the debtor is handed over to the legal department for collection. This collections process flow can be paused at any point if the customer raises a dispute or enters into an agreement to restructure the debt. In cases of disputes, the collection process will resume upon resolution of the dispute. In the case of debt restructure, an acknowledgement of debt agreement is entered with debtor detailing a payment plan and dates; and if the payment arrangement is breached, services are suspended.

Current Liabilities: debtors book decreased by (R223m) from prior year owing to settlement of payment holiday arrears, shown above.

Annexure D: Management Letter Points: FY2020

Reference		Finding	Details of finding	Action Plan to Address Audit Findings	Target date	Status	Progress on implementation of Action Plan
1	Manual Journals	Controls over manual processing of journals	Management should ensure that all journal processed are adequately reviewed before processed and that they are appropriately supported by adequate documentation which agrees to the journal	This was an isolated incident at year end to account for inventory provision. Additional controls will be implemented to avoid non-occurrence of such an incident.	Qtr. 2	Completed	Corrected & completed at year end. Additionally, Journals are being reviewed monthly during the reconciliation review process.
2	Supply Chain Management	Non declaration of interest by supplier controlled by employees in the public service	During the audit of Supply Chain Management, we noted that some suppliers (listed) submitted a false declaration by declaring that they are not employed by other state institutions.	a) Alert the National Treasury that the information on CSD is incorrect	Qtr. 3	Completed	(a) E-mailed CSD to inform of the incorrect information on their database. Letters sent to the implicated companies & engagements are still ongoing. Suppliers are disputing the existence of relationships with Sentech employees
				b) Follow the process of blacklisting the suppliers who declared information untruthfully on the SBD4 and with National Treasury			(b) The blacklisting process started, and letters of notice of intention to blacklist were e-mailed to CSD together with the CSD report. CSD has not & are unlikely to respond as they don't track business partner relationships which is what AG found.
				c) Inform the employers of unscrupulous behavior of their employees			(c) Letters sent to employers to inform them about their employees who are doing business with no disclosure.
				(d) All awards will be checked against our payroll system			
3	Human Resources	Non declaration of interest by close family members or business partners of employees	Auditors noted that some suppliers (listed) submitted a false declaration by declaring that they are not associated with officials employed by Sentech on the SBD forms submitted	a) Company policy was violated & disciplinary procedures will be taken against the employees.	Qtr. 4	In progress	Disciplinary process is preceded by an investigation to gather evidence. The disciplinary process for the affected employees will be finalized in April 2021.
				b) All declarations will be reviewed 100% by Internal Audit, where the declarations will be checked against government databases such as CIPC, Deeds Office, etc.			HR has outsourced the authentication of declaration of interests by employees.
				c) Furthermore, suppliers who falsify declarations on SBD4 form will be blacklisted.			Circumstance under which one declares interest Declaration of Interest as extracted from the SBD 4 Any legal person, including persons employed by the principal, or persons having a kinship with persons employed by the principal, including a blood relationship, may make an offer or offers in terms of this invitation to bid. In view of possible allegations of favouritism, should the resulting bid, or part thereof, be

					<p>awarded to persons employed by the principal, or to persons connected with or related to them, it is required that the bidder or his/her authorised representative declare his/her position in relation to the evaluating/adjudicating authority and/or take an oath declaring his/her interest, where-</p> <ul style="list-style-type: none"> • the bidder is employed by the principal; and/or • the legal person on whose behalf the bidding document is signed, has a relationship with persons/a person who are/is involved in the evaluation and or adjudication of the bid(s), or where it is known that such a relationship exists between the person or persons for or on whose behalf the declarant acts and persons who are involved with the evaluation and or adjudication of the bid. <p><u>Note of importance</u></p> <p>(a) Audit Finding related to business partner relationship. As can be seen above, business partner relationships are not covered in the guide and thus it is difficult to penalise or impose any form of restriction for an offence that does not exist or is not recognised as an offence.</p> <p>(b) Finding related to an employee who did not declare interest</p> <p>For the employee whose spouse was found to be doing business with the state, the spouse and the employee should have declared interest particularly if the employee was part of the evaluation and adjudication process or has a relationship with the person involved in such processes.</p> <p>From the verifications conducted, the employee was not involved in the procurement process. However, this does not absolve the employee and the spouse from declaring their interest.</p>
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4	Property, plant, and equipment	Amortization rates do not agree to the Sentech assets management policy	<p>Through inspection of the asset management policy, we noted that the average useful life of an intangible assets has been assessed as 5 to 15 years.</p> <p>During the testing of the intangible assets, we noted that some intangible assets were amortized over 1 to 2 years. For this reason and from the understanding of the business process, the Asset Management Policy does not truly reflect the process that is followed when the useful lives of intangible assets are determined</p>	Management will amend the policy to reflect that intangible assets will be amortized on a systematic basis over their useful lives	Qtr. 3	Completed	Reviewed asset management policy approved & in use
5	Property, plant and equipment	Expired lease agreement	During the audit of Property, plant and equipment, we identified that there was a lease agreement signed in 1963 for 50 years between Sentech and Bloemfontein Municipality. The lease expired in 2013 and to date has not been renewed.	<p>Management agrees that the lease agreements should be renewed</p> <p>The renewal of the lease is dependent on third party agreements and consultations which is beyond SENTECH's control. The renewal request was submitted on time to the lesser, but the OC manager is awaiting a resolution from the municipality who have indicated that they are also awaiting municipal council meeting where such matters are dealt with.</p>	Qtr. 3	Not Completed	<p>OC continues following up with the property & assets department manager at the Bloemfontein municipality on the renewal of the lease agreements.</p> <p>Contract Renewal is in draft form between Sentech and Bloemfontein Municipality.</p> <p>Expected contract sign off is end of April 2021</p>
6	IFRS 16	Right of use of assets incorrectly calculated on Telkom contract	During the audit of leases, we noted that the Right of Use Asset on the Telkom contract was not correctly calculated. Through the review of the client calculation, we noted that the lease end date used in management calculation was January 2021 whereas the agreement states that the lease period ends on 31 December 2020.	<p>It was due to human error as can be seen that the right of use was calculated up to 31 December on the first calculation that was submitted.</p> <p>The misstatement has been corrected in the financials</p>	Qtr. 2	Completed	FY2020 AFS adjusted with the misstatement

7	Employee Cost	Preapproval of overtime not performed	During the audit of Employee costs, we noted that overtime was not pre-approved for certain employees working in operational centers. The overtime for the employee was approved after the work had been performed and this is noncompliance with the policy.	Amend policy to specify when it will be acceptable for overtime to not be preapproved due to operational reasons.	Qtr. 4	In progress	<p>HR had meetings in March 2021 with the Union (organized labour) to finalise consultation on policy amendments.</p> <p>The HR policy will be presented to the April 2021 Board meeting</p>
8	Cash and Cash Equivalents	Cash and cash equivalents balance misstated	During the auditing of cash and cash equivalent, we noted that the balance as per bank statement in the bank reconciliation is not agreeing to the actual bank statement	Management should process a journal to correct the balance in the General ledger to agree to balance in investment statement	Qtr. 2	Completed	<p>FY2020 AFS adjusted with the misstatement. Furthermore, monthly reviews will be performed to ensure that transactions are being correctly accounted for.</p>

Annexure E: Risk Reports and Updates

1. Significant Strategic Risks

#	Outcomes	Risk Description	Contributing Factors/Causes	Existing Controls	RR	Control Improvements	Implementation date	Progress update
Optimisation & Growth								
1	Sustainable growth	Inadequate broadband market penetration	Tough competition from well-established entities playing in the same market	Broadband Business Plan. Launched Sentech connect increase in branding and possible sales. M&A process to buy existing broadband company. Structural changes in Technology and BB Executive to focus on broadband. Interim resources to drive broadband business.		<p>Acquire broadband company targeting rural and underservices areas and government entities.</p> <p>MoA signed between Broadband Infraco, Sentech and SITA.</p> <p>Establish strategic partnerships for delivery and revenue opportunities.</p> <p>Complete the operating model.</p> <p>Build capabilities& skills (permanent resources).</p> <p>Allocate capital for broadband</p>	<p>2021/01/31</p> <p>2021/01/31</p> <p>2021/01/31</p> <p>2020/12/31</p> <p>2020/10/30</p> <p>2021/03/31</p>	<p><u>Acquire Broadband company</u> Prospecting of targeted companies is underway, currently there's 2 on the pipeline an ISP and dark fibre opportunities</p> <p><u>MOA</u> <u>signed</u> SITA has no further interest until the merger has been concluded</p> <p><u>Establish</u> <u>partnerships</u> Rain has been onboarded as a partner for 5G private networks deployments</p> <p><u>Complete</u> <u>operating</u> <u>model</u> The operating model forms part of the company wide project and the process of appointing the service provider is underway.</p> <p><u>Capabilities</u> <u>and</u> <u>skills</u> 96% of digital skills training interventions implemented</p> <p><u>Capital</u> <u>allocation</u> R250m was allocated for this current year and R3,6mn was spent</p>
2			Negative brand reputation	Brand strategy		Implementation of the brand strategy	Quarterly	Continuous implementation of the brand strategy
			Tough economic environment	No control		Monitoring of the economic environment and review of plans where possible	Quarterly	Continued monitoring Reviewed M&A strategy

#	Outcomes	Risk Description	Contributing Factors/Causes	Existing Controls	RR	Control Improvements	Implementation date	Progress update
3			Declining broadcasting market	Revenue diversification		Fast track the implementation of revenue diversification initiatives. DTT STB installations Broadband Business Commercialisation of new products and services developed.	Ongoing 2021/01/31	Prospecting of targeted companies is underway, currently there's 2 on the pipeline an ISP and dark fibre opportunities DTT STB installation project has been initiated and installations have started. There are a few challenges with the project that are currently being addressed. The revenue projected is lower than what was communicated before.
			Technology disruptions	Research and innovation		Commercialisation of new products and services developed.	2020/12/31	New customers have been onboarded for broadband. New products are being developed.
4	Optimised cost structure	Threat to financial sustainability	Increased energy costs Increased staff costs Increased cost due to management of Covid related activities	Energy Optimisation strategy. VSP programme developed. Cost containment plan Implement effective and efficient corrective maintenance plan		Implementation of the VSP programme. Digitize and automate processes Review and effectively manage allowances and benefits.	2021/03/31	The implementation of VSP programme will be initiated in the next financial year. The remuneration structuring review exercise has been completed and the outcome of the exercise was shared with EXCO as well as the proposed post medical aid buy-out options. These initiatives will assist in managing the high staff costs. SAP Concur go-live was delayed due to connectivity challenges.
			Slow revenue growth	Diversification of products and market processes		Implement go-to-market strategies	Quarterly	Go-to Market strategies are being implemented.
			Negative brand reputation	Stakeholder Management and Brand equity assessments		Continued implementation of brand strategy and stakeholder management	2021/03/31	Brand strategy is being implemented and progress on implementation reported quarterly to different committees. Brand equity score has increased by 4%.
			Foreign exchange fluctuations	Monitoring of foreign exchange and hedges (where necessary).		Continue monitoring foreign exchange fluctuations and	Quarterly	Continued monitoring of foreign exchange fluctuations and exploring of possible hedging options.

#	Outcomes	Risk Description	Contributing Factors/Causes	Existing Controls	RR	Control Improvements	Implementation date	Progress update
						implement relevant controls		
			Payment holidays granted to some customers that may result in irrecoverable debts	Credit management Cost reduction to reduce tariffs		Continued implementation of debt management processes. Customer engagements	Quarterly	Continued engagement with customers
5			Inability of community broadcasters to pay for services due to affordability	Stakeholder engagements and different on boarding model for community broadcasters		continued monitoring and implementation of controls.	Quarterly	Discounts extended to the suppliers to assist them with payments of their accounts. Proposal made to the SABC in relation to reduction of their fees. Waiting for SABC to respond to the proposal. They have accepted the discount and it has been affected.
			DTT failure as a platform.	Stakeholder engagements Participation in ASO project management		Continued engagement of stakeholders for ASO.	Quarterly	Continued engagement of stakeholders on ASO. ASO has commenced. and 6 analogue sites in the Free State have been switched off
			Inability of customers and suppliers to recover due Covid 19 impacting SENTECH operations	Payment breaks for customers		credit management Review of tariffs	Quarterly	Revenue diversification initiatives are continuing. However, they need to be intensified.

#	Outcomes	Risk Description	Contributing Factors/Causes	Existing Controls	RR	Control Improvements	Implementation date	Progress update
	Weighted Average Network Availability	Cyber attacks	Inadequate information security controls	BCM Framework Integrated ICT Security plan		Continued Implementation of BCM plan including disaster recovery plans Conduct regular simulation test on BCM. Dedicated cyber security resources Monitoring and continued implementation of the ICT security plan	Quarterly 2021/03/31 Quarterly	The IT DR assessment has been scheduled to be conducted in May 2021. ICT security plan is being implemented. Simulation test has been planned for July 2021. Dedicated resources have been identified and service provider sourced to augment resources. ICT security plan is being implemented and monitored. Vulnerability assessments conducted.
7		Service disruptions due to infrastructure degeneration and Covid 19	Inadequate equipment support / end-of-support,	OEM SLAs.		Implementation of Maintenance plans and upgrade of infrastructure.	Quarterly	Maintenance plans are being implemented. STG's, UPS's and Air Conditioners replaced at identified sites
			Inadequate maintenance.	Maintenance policy & plan Asset Replacement plan		Implement a comprehensive network monitoring (all networks). Implementation of Business Continuity Plans.	2020/31/12	BCP for operations implemented as and when required at the different operational centres.
			Poor performance by 3rd party providers.	Contract Management		SLA with 3rd party service provider.	Quarterly	Continued monitoring of 3rd party services providers
			Theft & vandalism	Physical Security strategy in place		Full implementation of the Physical security strategy	Quarterly 2020/03/31	Physical security policy approved – Implementation monitoring on going

Fraud Risk Register (High risk and New risk)

No	Risk Description	Mitigation	RR	Progress
1	Theft of asset and vandalization at sites.	<ul style="list-style-type: none"> Implementation of the security strategy and strategy to safeguard assets in the field 		There are still theft and vandalization at sites. There are new trends that have been identified on the security breaches. The Security strategy is being reviewed to address the new trends.
2 New Risk	Potential for kickbacks and bribes received or issued for awarding of Tenders or contracts	<ul style="list-style-type: none"> Bid Adjudication and Evaluation policies Internal Audit reviews Fraud Hotline 		Training and awareness of staff on fraud (SCM specific). Continued to embed current controls.

DTT High Risks

No	Risk	Mitigation	RR	Status
1	Reduction in usage of DTT network	<ul style="list-style-type: none"> Financial modelling at premium tariff for reduced site take up Continued engagements with broadcasters 		<ul style="list-style-type: none"> There are ongoing engagements with broadcasters. There are continued calls for reduction of DTT sites by broadcasters. SENTECH is in the process of implementing the subsidised STB installation project. 6 analogue sites in the Free State have been switched off.
2	Digital Dividend	<ul style="list-style-type: none"> Secure a portion of the available frequencies for universal services 		<ul style="list-style-type: none"> Continued implementation of controls. These include, engagements with the Regulator and DCDT when possible.



ACTING CHIEF FINANCIAL OFFICER

09/04/2021

DATE



CHIEF OPERATIONS OFFICER

09/04/2021

DATE



CHIEF EXECUTIVE OFFICER

09/04/21

DATE

Abbreviations

ASO	Analogue Switch-Off
DTH	Direct-to-Home
DTT	Digital Terrestrial Television
EBIT	Earnings Before Tax and Interest
ESD	Enterprise and Supplier Development
EXCO	Executive Committee
FM	Frequency Modulation
IoT	Internet of Things
KPI	Key Performance Indicator
MW	Medium Wave
NPAT	Net Profit After Tax
OTT	Over-the-top Services
SD	Skills Development
TRIR	Total Recordable Incident Rate
SED	Socio-Economic Development
SLA	Service Level Agreement
YTD	Year to Date