



THE UPSTREAM TRAINING TRUST
(Trust number IT1289/1998)
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004

Prepared by



PETROLEUM AGENCY SA

PRIVATE AND CONFIDENTIAL

UPSTREAM TRAINING TRUST

Memorandum to Board of Trustees for submission to the Trustees meeting
to be held on 13 August 2004

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

ANNUAL FINANCIAL STATEMENTS

Attached please find a copy of the audited Annual Financial Statements of the Upstream Training Trust for the year ended 31 March 2004.

RECOMMENDATION

That the Trustees:

1. **NOTE** the draft audit report
2. **APPROVE** the audited Annual Financial Statements
3. **AUTHORISE** two Trustees, namely the Chairperson and Mr M A Ranoszek to sign the statements on behalf of the Trustees.

PREPARED BY:



LINDENI MADLALA
CHIEF FINANCIAL OFFICER

APPROVED FOR SUBMISSION BY:



JACK HOLLIDAY
CHIEF EXECUTIVE

REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF THE UPSTREAM TRAINING TRUST

We have audited the annual financial statements of The Upstream Training Trust set out on pages 3 to 12 for the year ended March 31 2003. These financial statements are the responsibility of the trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

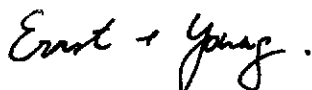
We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Trust at March 31 2003 and the results of its operations and cash flows for the year then ended in accordance with Generally Accepted Accounting Practice.

Supplementary information

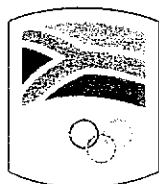
The supplementary schedule set out on page 13 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion thereon.



ERNST & YOUNG
REGISTERED ACCOUNTANTS AND AUDITORS
CHARTERED ACCOUNTANTS (SA)

Cape Town

March 22 2004



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■ **Chief Executive:** Phillip Hourquebie
Resident partners: H. Lorgat (Senior), N.G. Aereboe,
R. Benjamin-Swales, M.F.J. Bourne, A.M. Cader, A. Codd,
J.M. Fitton, M.R. Isaacs, M.I. Khan, H. Leonard,
R.I. Lumb, P. Naidoo, J.A. Newlands, M.P. Rapson, T.W. Rorbye,
P.M. Smith, M. Stavridis, P.J. Strachan.
Directors of Associated Companies: K. Badenhorst, D.J.M. Clegg,
M.A. Walbeck

A full list of National Partners and Directors is available on request.



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PAROW 7500 RSA
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☒ 1174
PAROW 7499
RSA
Fax: 27(21) 938-3520

30 July 2004

Ernst & Young
P O Box 656
CAPE TOWN
8000

Dear Sirs,

The Petroleum Agency is the appointed administrator of the Upstream Training Trust. In connection with your audit of the Trust's financial statements as at 31 March 2004 and for the year then ended, the Agency recognises that obtaining representations from it concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of The Upstream Training Trust in conformity with generally accepted accounting practice, South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa, the Agency makes the following representations, which are true to the best of our knowledge and belief.

The Agency recognises that, as administrators of the Trust, it is responsible for the fair presentation of its financial statements. The Agency believes the statements of financial position, results of operations and cash flows are fairly presented in conformity with South African Statements of Generally Accepted Accounting Practice and the manner required by the Companies Act, applied on a basis consistent with that of the preceding period.

Accounting and Other Records

1. The Agency has made available to you all accounting records, books and documents of the company as required by s 281 of the Companies Act, 1973. It is not aware of any accounts, transactions or agreements not fairly described and properly recorded in the accounting records that would have had a material effect on the financial statements.
2. Minutes of all meetings of the trustees (including committees of the board) held during the year and up to 31 March 2004 have been made available to you, with exception of minutes for meeting held on 25th February 2004 and 10th March 2004.

Long Term Investments

3. There was no impairment in the value of long-term investments.

Trustees: Mr M. X Xiphu (Chairperson); Dr. G Jackson; Mr J F dos Santos Rocha; Mr M Ranoszek

Founded by: Petroleum Agency SA (Pty) Ltd

Current assets

4. All current assets are expected to realise, in the ordinary course of business, at least the amounts at which they are included in the balance sheet. In particular adequate, but not excessive, provisions have been made against doubtful debts.

Liabilities

5. All material liabilities at the balance sheet date have been included in the financial statements and adequate provision has been made for liabilities which are known to exist but the amount of which cannot be accurately determined.
6. There were no purchase or sale commitments in excess of normal requirements or at prices, which could give, rise to a loss for which no provision has been made in the financial statements. In addition no agreements have been entered into to repurchase items previously sold.

Trustees' Report

7. All matters which are material to the appreciation of the state of the affairs of the company and which have not been dealt with elsewhere in the financial statements have been dealt with in the trustees' report.

Post Balance Sheet Events

8. The Agency has considered events arising between the balance sheet date and the date of this representation. Our review enables us to conclude that nothing has occurred in this period which could materially affect the financial statements and which accordingly would require the pack to be adjusted or for additional disclosures regarding these events.

Illegal Acts

9. The Agency is unaware of any illegal acts or irregularities, which affect the fair presentation of financial information in the annual financial statements.

Preparation of the Financial Statements

10. Although the Agency has drawn up the financial statements for Auditing, we accept that the ultimate responsibility for these financial statements remains with the Trustees.

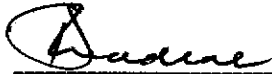
General

11. The Agency understands that your audit will be conducted in accordance with statements of South African Auditing Standards for the purposes of expressing an opinion on the financial statements. The Agency understands that your audit will include: examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The Agency further understands that the testing and sampling procedures followed in such an examination would not necessarily disclose shortages and/or irregularities, should they exist.
12. The company has complied with all aspects of contractual agreements that could have

a material effect on the financial statements in the event of non-compliance. There has been no non compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance

13. We have properly recorded or disclosed in the financial statements, trust capital.

Yours faithfully



**Chief Financial Officer
Madlala L**



**Chief Executive
J Holliday**

**THE UPSTREAM TRAINING TRUST
FINANCIAL STATEMENTS
for the year ended 31 March 2004**

Country of incorporation	South Africa	
Nature of business	Training and education in the field of oil and gas exploration and development	
Trustees	Mr M Xiphu Mr J F Dos Santos Rocha Mr M A Ranoszek Dr G Jackson	Appointed 01 August 2003 Appointed 01 January 2003 Appointed 01 November 2001 Appointed 01 November 2003
Business address	Petroleum House 151 Frans Conradie Drive Parow 7500	
Postal address	P O Box 1174 Parow 7499	
Bankers	ABSA Bank Limited Parow branch	
Auditors	Ernst & Young	
Secretary	CEF (Proprietary) Limited	
Trust number	IT1289/1998	
Administrators	Petroleum Agency SA	
Mission statement	To build capacity and skills among the citizens and permanent residents of South Africa. The primary focus for this effort will be in the disciplines related to the upstream oil and gas industry, such as natural science, engineering, mathematics and computer science.	

THE UPSTREAM TRAINING TRUST
FINANCIAL STATEMENTS
for the year ended 31 March 2004

The reports and statements set out below comprise the annual financial statements presented to the trustees:

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THE UPSTREAM TRAINING TRUST
STATEMENT OF APPROVAL AND RESPONSIBILITY
for the year ended 31 March 2004

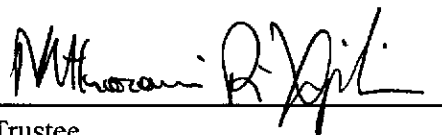
The trustees are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The Petroleum Agency SA has provided the Upstream Training Trust an administration service since its inception. Initially the financial management was carried out by Soekor and then by CEF (Pty) Ltd and as from 1 October 2003 the financial management was transferred to the Petroleum Agency SA. The Petroleum Agency SA is responsible to compile the financial statements and related information, in accordance with the statement of South African Auditing Standards applicable to compilation engagements.

The auditors are responsible for independently auditing and reporting on the fair presentation of the financial statements. The financial statements have been prepared in accordance with generally accepted accounting practice.

The trustees are also responsible for the Trust's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. The breakdown relating to the internal controls and accounting for the Upstream Training Trust has come to the attention of the trustees. The trustees are looking at remedial actions, policies and procedures that have to be put in place to prevent a similar occurrence happening in the future, in order for the Petroleum Agency SA to provide professional service to the Trust.

The financial statements have been prepared on the going concern basis, since the trustees have every reason to believe that the Trust has adequate resources in place to continue in operation for the foreseeable future.

The financial statements which appear on pages 9 to 25 were not yet approved by the Board of Trustees for submission to Ernst & Young on 18 June 2004. These have been prepared by Petroleum Agency SA and signed on behalf of the trustees by:



Trustee



Trustee

**THE UPSTREAM TRAINING TRUST
STATEMENT ON CORPORATE GOVERNANCE
for the year ended 31 March 2004**

The Upstream Training Trust endorses the King Report on Corporate Governance. The Upstream Training Trust will strive to institute governance protocols to enable it to comply with the second King Report. The primary objective of any code of corporate governance is to ensure that trustees and managers, to whom the running of Trust has been entrusted, carry out their responsibilities diligently by placing the interest of the Trust above their own. This objective is met through the establishment of structures and processes to ensure that management meets their responsibilities.

The Trust is managed by an independent Board of Trustees upon the terms and conditions contained in a Trust Deed document lodged with the Master of the Supreme Court in Cape Town. The trustees have also constituted and appointed a sub committee consisting of representatives from the Petroleum Agency SA and the donor companies to facilitate in the carrying out of their duties by screening and making recommendations about bursary and project applications.

In terms of Upstream Training Trust's Trust Deed, Petroleum Agency SA is responsible for the administration and management of the Trust. With effect from 1 October 2003 the Petroleum Agency SA took over the financial management of Upstream Training Trust from CEF (Pty) Ltd. Ernst & Young are the external auditors who provide audit and advisory services to the Upstream Training Trust and have assisted with the preparation of the annual financial statements in prior years.

Board of Trustees

The board comprises four non-executive trustees of which one member represents Department of Minerals and Energy, one member represents Petroleum Agency SA and two members represent donor companies. The Trustees elect a Chairperson to hold office annually for each year from representatives of Petroleum Agency SA. At least four meetings are held during a year.

Board audit committee

The Upstream Training Trust does not have a separate board audit committee. The Petroleum Agency SA board audit committee is also responsible for ensuring that the policies and procedures are in place and are adhered to, in order to effectively administer the Upstream Training Trust. The committee had four meetings during the year with the head of internal audit and other members of management. The committee reviews the effectiveness of internal controls of the Trust with reference to the findings of the internal auditors. Other areas covered include the review of important accounting and control issues, specific disclosures in the annual financial statements and a review of external and internal audit recommendations.

Board remuneration committee

Upstream Training Trust does not have a board remuneration committee but reports its activities through the Petroleum Agency SA's Board Remuneration Committee.

Company secretary

The Company Secretariat service is provided by CEF (Pty) Ltd and provides the Board of Trustees with guidance and advice on matters of business ethics and good governance, as well as on the nature and extent of their duties and responsibilities and how such duties and responsibilities should be properly discharged.

Internal audit

The CEF (Pty) Ltd internal audit department, headed by an internal audit manager, is accountable to the Petroleum Agency SA board audit committee.

The internal audit department functions in terms of an internal audit charter that is approved by the Petroleum Agency SA Board of Directors. The internal audit charter defines the purpose, authority and responsibility of the internal audit function. The internal audit function carries out its work in terms of an approved internal audit work plan based on the risk framework of the Trust.

THE UPSTREAM TRAINING TRUST
STATEMENT ON CORPORATE GOVERNANCE
for the year ended 31 March 2004

Management reporting

Comprehensive management reporting disciplines are in place which include the preparation of an annual budget which will be submitted for approval to the Board of Trustees. Quarterly results are reported against the approved budget to the Petroleum Agency SA's management, the Board Audit Committee and Upstream Training Trust Board of Trustees.

Trustees' responsibilities for the annual financial statements

It is the responsibility of the trustees to have the annual financial statements prepared that fairly present the financial position and results of the Trust. Appropriate accounting policies are applied consistently, supported by reasonable prudent judgements and estimates. An independent audit of the Trust's annual financial statements in accordance with South African Auditing Standards is conducted and the report is tabled to trustees. The Trustees of the Upstream Training Trust believe that Upstream Training Trust will continue as a going concern.

Internal control

Since the take over of the financial management from CEF (Pty) Ltd, to fulfill their responsibility, the trustees have charged Agency management with the maintenance of adequate accounting records and the development and maintenance of systems of internal control. The internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the Trust's annual financial statements and as to the safeguarding and maintenance of assets. The controls are monitored and the trustees are aware of the breakdown relating to the internal controls and accounting for the Upstream Training Trust. The breakdown in controls related to the issuing of invoices and tracking of income. This resulted in late payment by a number of licensees. Due to the strengthening of the Rand a foreign exchange loss was incurred.

The above resulted in the transfer of the financial management function to Petroleum Agency SA. The transfer date was 1 October 2003.

Ethics

Trustees and employees are urged to observe the highest ethical standards ensuring that business practices are conducted in a manner, which is beyond reproach.

Black economic empowerment

The Trust is fully committed and subscribes to government's policies relating to black economic empowerment and the requirements of the Preferential Procurement Policy Framework Act, Act No 5 of 2000, have been incorporated into the procurement policy.

With regards to the purchase of marketing material for the Upstream Training Trust, the Trust makes use of Black Economic Empowerment suppliers. The focus on the selection and recruitment of bursary and project funding is predominantly previously disadvantaged individuals, and the Trust has recorded 85% black students and 90% of its projects focuses mainly on the Previously Disadvantaged Individuals.

Corporate social responsibility

As part of its strategy for corporate social responsibility to encourage learners to study science, the Upstream Training Trust together with the Petroleum Agency SA participates in South African science festivals. The objective of Upstream Training Trust's participation in these events is to create public awareness of the upstream petroleum industry, to educate teachers, and to motivate youngsters to pursue a career in geoscience. Every effort is made to ensure that the Upstream Training bursary students will be afforded an opportunity to work in the upstream oil and gas industry. Petroleum Agency SA has created an opening for two internships for geoscience graduates, who were also recipients of the Upstream Training Trust bursaries. They have been appointed on a two year fixed term training contract.

**THE UPSTREAM TRAINING TRUST
STATEMENT ON CORPORATE GOVERNANCE
for the year ended 31 March 2004**

During the year under review, the Trust awarded R848 770 in bursary funding to 30 students at various institutions studying geology, geophysics, engineering and information technology. Similarly, R 2 403 836 was disbursed to projects as diverse as curriculum development, bridging programmes, teacher development, post graduate petroleum geology and reservoir engineering courses.

**THE UPSTREAM TRAINING TRUST
CHAIRMAN'S REPORT
for the year ended 31 March 2004**

During 1995 the South African government made the strategic decision to attract international companies to invest in the South African oil and gas exploration and production sector. It was also recognized at the time that there is a backlog in the development of a skills base in the science and technology sector with specific reference to oil and gas Exploration & Production. Therefore, in order to try and help address this backlog the Exploration & Production companies wishing to do exploration and production activities in South Africa are contractually bound to make contributions to a training fund, The Upstream Training Trust. The Trust was established in 1997 and administers the contributions from the Exploration & Production companies.

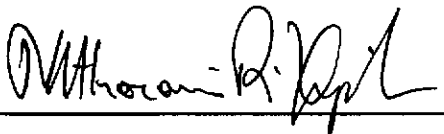
The year under review has been a very busy one for the Trust, which has seen a number of changes. The Trust saw the appointment of myself as the new chairman of the Board of Trustees as well the appointment of an additional trustee from one of the contributing Exploration & Production companies. As far as the activities of the Trust were concerned, in the academic year 2003 the Trust had 30 students in the UTT bursary programme, of these, 23 were first-year students, 3 were second-year, 3 were third-year, and 1 was a final (fourth-year) student. Of these students five failed their academic year, giving the bursary programme a success rate of over 83%. The final year student graduated at the end of the academic year with a BSc. Geology degree, and has enrolled for Honors this year. The rest of the students have proceeded to the next level, with eleven students having obtained 2 to 3 distinctions each in Maths, Physics, Chemistry, Geology, Statistical Methods and Analytical Chemistry.

Of the five students that failed last year, two were doing first year. The Trust is conscious of the fact that there is normally a high failure rate among first years at South African tertiary institutions. We thus view the failure of two out of 23 first year students as being relatively low and acceptable, especially considering the previously disadvantaged socio-economic backgrounds of the students, and the highly specialised nature of the fields they have chosen.

The Trust has also supported 11 science and engineering projects around the country. Considering the results submitted by the institutions these programmes have proven to be successful and have changed the lives of the learners and teachers. The Trust will continue its support to these programmes.

The UTT programme should without doubt be preserved and encouraged, as this could provide a steady pool of graduates that could be used not only by the highly specialised Exploration & Production industry, but also directly by the Petroleum Agency SA, and the Department of Minerals and Energy, for the promotion and regulation of the exploitation of the South African hydro-carbon resources, in line with the Government's policies on the sustainable development of South Africa's natural and human resources.

Lastly I wish to thank my fellow Trustees: Dr Geoffrey Jackson, Mr. Marek Ranzoszek and Mr. Jacinto Rocha; the Chief Executive Officer of the Petroleum Agency, Mr. Jack Holliday; the UTT Administrator, Ms Thandi Mahlathi; the UTT Finance Officer, Ms Claudia Dreyer; and the Management and Staff of the Petroleum Agency SA, for their support and efforts, which have enabled the Trust to attain the success that it has over the past year.



MR M XIPHU
CHAIRPERSON of the TRUST

**THE UPSTREAM TRAINING TRUST
STATEMENT ON PERFORMANCE TARGETS
for the year ended 31 March 2004**

Progress against objectives

The Upstream Training Trust has started to measure its performance against objectives and reports on a quarterly basis to the Board of Trustees, and also reports its activities to the Petroleum Agency SA HR Committee, Board and CEF Board.

The overall performance is determined by identifying the objectives in terms of importance, and matches those to the results.

The Upstream Training Trust achieved the following key objectives for the period:

Objective	Key Achievements	Ranking	Achieved	Weighted value
Providing bursaries to no more than 30 students and the predominance be the previously disadvantaged community.	30 bursaries were awarded of which 26 were to previously disadvantaged individuals. Five bursary students failed.	5/18	100 %	27.8 %
Provides funding to science and engineering projects to build a strong science base in the community.	Funded 11 projects Positive good results, satisfactory quarterly reports were obtained.	4/18	100 %	22.2 %
Market the Upstream Training Trust To create interest and awareness of earth science and to promote careers in these fields	Visited 4 high schools upon request Exhibited at 4 science festivals +- 800 people per day visited the booth Distribute career posters upon request	4/18	70 %	15.6 %
Ensure efficient and professional financial management and administration of the Trust	Full compliance with GAAP and King Report II Register Trust as a Public Benefit Organisation Compliance with the Trust Deed	5/18	80 %	22.2 %
		18	Total	87.8 %

**THE UPSTREAM TRAINING TRUST
REPORT OF THE TRUSTEES
for the year ended 31 March 2004**

The trustees present their report for the year ended 31 March 2004. This report forms part of the audited financial statements.

1. Nature of business

The Upstream Training Trust (UTT) was founded in May 1997 by the Petroleum Agency SA together with companies participating in oil and gas exploration and production offshore South Africa. These companies donate funds on an annual basis, which are administered by the Trust for training and education purposes.

2. Business and operations

The Trust's business and operations and the results thereof are clearly reflected in the attached financial statements. With the exception of the breakdown relating to the internal controls and accounting for the Trust, no material fact, other than what is reported, has occurred.

There was no major change in the nature of the business.

2.1. Bursaries

In the 2003/2004 financial years UTT has disbursed bursaries totalling R848 770 to the following deserving students.

1. TM	MADLALA	∧	WITS	MECH. ENG.	1 ST	M
2. Z	DLADLA	∧	NATAL	CHEM. ENG.	BRIDGING PROGRAMME	M
3. LN	MYEZA	∧	UDW	CHEM. ENG.	1 ST	M
4. L	MADYIBI	∧	FORTE	GEOLOGY	2 ND	M
5. DN	MARAJH	∧	UOFS	BSC.	1 ST	M
6. W	SGUDLA	∧	PRETORIA	MECH. ENG.	1 ST	M
7. KM	GOITSEONE	∧	FREE STATE TECH.	MECH. ENG.	2 ND	M
8. D	MARAJH	∧	UOFS	BSC.	2 ND	M
9. CB	VAN BLOEMENSTEIN	∧	UWC	GEOLOGY	3 RD	F
10. TP	MHLONGO	∧	UDW	MECH. ENG.	3 RD	M
11. C	COMBRINCK	∧	PRETORIA	GEOPHYSICS	2 ND	M
12. A	KING	∧	STELLENBOSCH	GEOLOGY	3 RD	F
13. A	WILLIAMS	∧	RHODES	GEOLOGY	2 ND	M
14. NQM	CHONCO	∧	UDW	MECH. ENG.	1 ST	M
15. P	NEMEKULA	∧	UDW	COMP. SCIENCE	1 ST	M
16. TL	DLAMINI	∧	UDW	CHEM. ENGINEERING	1 ST	M
17. K	RAMASAMY	∧	UDW	CHEM. ENGINEERING	1 ST	M
18. Z	MADIKAZI	∧	CAPE TECHNIKON	MECH. ENG.	1 ST	M
19. S	SINGH	∧	UDW	CHEM. ENG.	1 ST	F

**THE UPSTREAM TRAINING TRUST
REPORT OF THE TRUSTEES
for the year ended 31 March 2004**

2.1. Bursaries (continued)

20. AA	NOLOKWE ^	PE TECHNIKON	IT	2 ND	F
21. SC	KHUMALO ^	UPE	BSC.	1 ST	F
22. HB	SWARTBOOI ^	PE TECHNIKON	MECH. ENG.	1 ST	M
23. NS	MKHOHLIWE ^	PENTECH	MECH. ENG.	1 ST	F
24. JT	MOKOENA ^	VAAL TRIANGLE	MECH. ENG.	1 ST	M
25. RR	MNISI ^	VAAL TRIANGLE	MECH. ENG.	1 ST	M
26. N	LALLBADHUR ^	UDW	CHEM.ENG.	1 st	M
27. GB	KHAMBULE ^	UDW	CHEM. ENG.	1 st	M
28. PC	JALI ^	UDW	MECH.ENG.	1 st	M
29. NG	NKOSI ^	UDW	MECH.ENG.	1 st	M
30. UE	PUKAYI ^	PENTECH	MECH.ENG.	1 ST	F

2.2. 2003/2004 projects

In 2003/2004 the Upstream Training Trust has funded the following projects to the value of R2 403 836:

Midlands Community College (R270 000) ^	Mathematics/ Science/ Technology Recovery Project	Provides an opportunity to matriculants who did not do well to upgrade Maths, Science and English to allow entrance into tertiary education.
Midlands Community College (R120 000) ^	Saturday School and Staff in-service training	This programme puts the capacity in place in the schools to enable them to deliver quality Maths, Science and related education at the coalface.
University of Cape Town (R250 000) ^	Joint Teaching Programme	To teach high quality, exciting geoscience courses to undergraduate and post-graduate students as well as to industry. To undertake original research which will discover new understanding of Africa's petroleum wealth.
Leaf Bay College (R126 805) ^	Bridging Saturday School & Support Scheme	Extra classes for grade 10 on Mathematics and financial assistance to provide grants. This seeks to improve the quality of understanding Maths.
Western Cape Primary Science Programme (R200 000) ^	Primary Science development project	Provides in-service education and training support in the natural sciences and related subjects to a core of 120 seriously disadvantaged primary schools in the Western Cape.
Primary Science Programme and Cenedus (R200 000) ^	Programme for Early Mathematics	Provides coherent in-service education and support in the natural sciences and maths to grades 4-7 teachers in 10 primary schools in the Boland area.

THE UPSTREAM TRAINING TRUST
REPORT OF THE TRUSTEES
for the year ended 31 March 2004

2.2. 2003/2004 projects (continued)

Headstart College (R400 000)	Bridging and Further Education	The college's goal is to help to change the lives of students by assisting them to develop greater academic skills, computer skills, articulateness, self confidence and self discipline. The college's specific focus is mathematics and physical science, engineering access and marketing.
University of Orange Free State (R335 037)	Foundation Programme	Students in the rural areas (South Cape Region) can pursue studies in higher education without attending full time classes at residential institutions. Students will have to enrol for two university courses, two technical courses and a compulsory Foundation course (life skills course).
Cape Technikon (R251 994)	Gateway Discovery Exhibit Mobile	This mobile bus kitted out with various science experiments visits schools during the term and engages in holiday activities at museums and libraries. The mission is to reach the broader public and parents to promote the public understanding of science, engineering and technology
UCT & Stellenbosch University (R100 000)	Technology Olympiad	Coupled to the competition, technology workshops are presented at schools all over the country as a means of skills development. The workshops are presented by lecturers and post graduate students from various universities and technikons.
Bostech (R150 000)	Science & Technology Centre	Offering lessons in maths, science, English and Biology; Education tours for learners (engineering companies) Week-end tutorials; Workshops for maths and science for grade 12 learners;

3. Financial results (R'000)

The results of the Trust and the state of its affairs are set out in the attached financial statements and do not, in our opinion, require further comments.

The Trust's surplus on ordinary activities for the year amounted to R1 007 476 (2003 : R3 984 353).

4. Events subsequent to the year end

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report.

THE UPSTREAM TRAINING TRUST
BALANCE SHEET
as at 31 March 2004

	Notes	2004 R	2003 R
Assets			
Current assets			
Accounts receivable	3	619 554	6 958 439
Funds invested	4	12 709 630	5 745 272
Cash and cash equivalents	9.2	-	48 871
Total assets		<u>13 329 184</u>	<u>12 752 582</u>
Funds and liabilities			
Trust funds			
Trust capital		10 989 394	9 981 918
Accumulated funds		100	100
		<u>10 989 294</u>	<u>9 981 818</u>
Current liabilities			
Accounts payable	5	2 339 790	2 770 664
Total equity and liabilities		<u>13 329 184</u>	<u>12 752 582</u>

**THE UPSTREAM TRAINING TRUST
INCOME AND EXPENDITURE STATEMENT
for the year ended 31 March 2004**

	Note	2004 R	2003 R
Gross revenue	6	4 996 217	6 710 601
Operating costs		<u>4 975 045</u>	<u>4 335 211</u>
Operating surplus	7	21 172	2 375 390
Interest income	8	<u>986 304</u>	<u>1 608 963</u>
Surplus		<u><u>1 007 476</u></u>	<u><u>3 984 353</u></u>

**THE UPSTREAM TRAINING TRUST
STATEMENT OF CHANGES IN FUNDS
for the year ended 31 March 2004**

	Notes	Trust capital R	Accumulated funds R	Total R
Balance at 01 April 2002		100	9 066 166	9 066 166
Correction due to changes in accounting policy	2		(3 068 701)	(3 068 701)
Restated balance		100	5 997 465	5 997 465
Net surplus for the year			3 984 353	3 984 353
Balance at 01 April 2003		100	12 453 702	12 453 702
Correction due to changes in accounting policy	2		(2 471 884)	(2 471 884)
Restated balance		100	9 981 818	9 981 818
Net surplus for the year			1 007 476	1 007 476
Balance at 31 March 2004		100	10 989 294	10 989 394

THE UPSTREAM TRAINING TRUST
CASH FLOW STATEMENT
for the year ended 31 March 2004

	Notes	2004 R	2003 R
Cash flows from operating activities			
Cash receipts from grantors		6 915 487	2 071 003
Cash paid to suppliers and service providers		11 443 171	4 945 441
		(5 513 988)	(4 483 401)
Cash generated by operating activities	9.1	5 929 183	462 040
Interest received		986 304	1 608 963
Cash flows from financing activities			
Change in funds invested		(6 964 358)	(2 032 607)
(Decrease)/increase in cash and cash equivalents		(48 871)	38 396
Cash and cash equivalents at beginning of the year	9.2	48 871	10 475
Cash and cash equivalents at end of the year	9.2	-	48 871

THE UPSTREAM TRAINING TRUST
NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2004

1 Basis of preparation

The following are the principle accounting policies of the Trust which are consistent in all material respects with those applied in the previous year, except as otherwise indicated.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The financial statements are prepared under the historical cost basis.

The financial statements are prepared in South African Rand.

1.1 Revenue recognition

Revenue comprises grants received and interest received. Revenue arising from grants received is recognised on an accrual basis in accordance with the substance of the relevant agreements. Interest income is accrued on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity.

1.2 Translation of foreign currencies

Transactions

Foreign currency transactions are recorded, on initial recognition in Rand, by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the transaction.

At each balance sheet date:

(a) foreign currency monetary items are reported using the closing rate.

Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

1.3 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, trade and other receivables and trade and other payables. Trade receivables and payables are stated at their nominal value.

Funds invested

In terms of a written agreement between the Upstream Training Trust and CEF (Proprietary) Limited, acts as central treasury to invest cash and provide short-term funding to Upstream Training Trust. Credit balances with CEF (Proprietary) Limited earn the average NACM return on the total money market portfolio of CEF (Proprietary) Limited, less 0.5% per annum, while debit balances are charged the NACM return on the total money market portfolio, plus 0.5%.

1.4 Bursaries and projects

No donation or disposition to any beneficiary can be ceded, assigned or pledged without the prior written consent of the trustees. Bursaries awarded are recognised in relation to the academic period to which they refer

1.5 Comparative figures

Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.

THE UPSTREAM TRAINING TRUST
NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2004

2004
R **2003**
R

2. Changes in accounting policy

2.1 Grants received

The Upstream Training Trust changed its accounting policy with respect to the treatment of grants received which were previously recognised in full as and when invoiced. The Trust now recognises grants receivable on an accrual basis in accordance with the substance of the relevant agreements in order to ensure fair presentation. The financial statements are prepared on the basis of a new accounting policy and adjustments were made to the information reported in prior period.

The effect of this change is as follows:

Increase in net surplus		
Gross	304 869	596 817
Taxation thereon	<u>0</u>	<u>0</u>
	<u>304 869</u>	<u>596 817</u>

Restatement of opening accumulated surplus in respect of prior years adjustment

Decrease in accumulated surplus

	2004	2003	2002
Gross	2 167 015	2 471 884	3 068 701
Taxation thereon	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2 167 015</u>	<u>2 471 884</u>	<u>3 068 701</u>

2004
R **2003**
R

3. Accounts receivable

Forest Exploration International (SA) (Pty) Ltd	-	2 774 205
CNR International (SA) Ltd	-	594 473
Pioneer Natural Resources SA (Pty) Ltd	297 397	2 750 426
Petro SA	17 340	314 935
Sasol Petroleum International (Pty) Ltd	-	150 000
Global Offshore Oil Exploration SA (Pty) Ltd	-	206 084
Petroleum Limited	<u>19 774</u>	<u>178 342</u>
Invoices issued for grants receivable from	334 511	6 968 465
Interest accrued on grants receivable	1 185 407	1 030 569
Interest accrued on investment	-	44 629
	1 519 918	8 043 663
Provision for doubtful debts	<u>(977 154)</u>	<u>(1 085 224)</u>
	542 764	6 958 439
Sundry debtors	76 790	-
	<u>619 554</u>	<u>6 958 439</u>

THE UPSTREAM TRAINING TRUST
NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2004

	2004	2003
	R	R
4. Funds invested		
Funds invested	12 709 630	5 745 272
<p>In terms of a written agreement between Upstream Training Trust and CEF (Proprietary) Limited, CEF (Proprietary) Limited acts as central treasury to invest cash and provides short-term funding to the Trust. While credit balances placed with CEF are unlimited, debit balances should not exceed R5 million and facilities are reviewed annually. Should larger facilities be required, special loan arrangements will have to be negotiated.</p> <p>Credit balances with CEF (Proprietary) Limited earn the average NACM return on the total money market portfolio of CEF (Proprietary) Limited, less 0.5% per annum, while debit balances are charged the NACM return on the total money market portfolio, plus 0.5%.</p>		
5. Accounts payable		
Trade creditors	144 967	-
Sundry creditors	27 808	298 780
Income received in advance	2 167 015	2 471 884
Forest Exploration International (SA) (Pty) Ltd	560 252	619 242
CNR International (SA) Ltd	336 154	421 085
Pioneer Natural Resources SA (Pty) Ltd	846 993	1 060 984
Sasol Petroleum International (Pty) Ltd	54 508	122 877
BHP Billiton	369 108	198 157
Petroleum Limited	-	49 539
	2 339 790	2 770 664
6. Gross revenue		
<p>Gross revenue comprises turnover, which excludes value-added tax and represents the invoiced value of grants received and interest received</p>		
Grants receivable	4 996 217	6 710 601

THE UPSTREAM TRAINING TRUST
NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2004

7. Operating surplus

Operating surplus is stated after:

Income

Interest received	986 304	1 608 963
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Expenditure

Auditors' remuneration	31 052	38 100
- Audit fee	19 152	28 000
- Prior year	11 900	10 100
Loss on foreign exchange	1 205 264	1 457 990
Remuneration other than to employees for:	453 313	249 476
- Internal audit services	89 700	16 318
- Financial services	17 046	20 800
- Managerial services	346 567	212 358
Provision for doubtful debts	(108 069)	1 085 224
	2004	2003
	R	R

8. Interest income

- Interest received on investment	480 522	564 856
- Other interest received	505 782	1 044 107
	986 304	1 608 963

9. Notes to the cash flow statement

9.1 Cash generated by operating activities

Net profit	1 007 476	3 984 353
Adjustments for:		
Interest income	(986 304)	(1 608 963)
Provision for doubtful debts	(108 069)	1 085 224
	(86 897)	3 460 614
Movements in working capital		
Decrease/(increase) in accounts receivable	6 446 954	(1 765 161)
Decrease in accounts payable	(430 874)	(1 233 413)
	5 929 183	462 040

9.2 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Cash and cash equivalents	-	48 871
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10. Financial instruments

Credit risk

Financial assets which potentially subject the Trust to concentration of credit risk consist primarily of cash and trade receivables. Should the Trust have any surplus cash, it will be invested in the money market by CEF

THE UPSTREAM TRAINING TRUST
NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2004

10. Financial instruments (continued)

(Proprietary) Limited, on behalf of the Trust.

The carrying amounts of financial assets included in the balance sheet represent the Trust's exposure to credit risk in relation to these assets.

Interest rate risk

Financial assets that are sensitive to the interest rate risk are cash and cash equivalent and funds invested. The interest rates applicable to these financial instruments compare favourably with those currently available in the market

Exchange rates

Exchange rates used for conversion of foreign items were:

US Dollar	6.328	7.926
British Pound	11.605	12.517
Euro	7.724	8.625

2004	2003
R	R

11. Grants

Forest Exploration International (SA) (Pty) Ltd	2 073 012	2 364 667
CNR International (SA) Ltd	566 309	496 456
Pride - Foramer S.A.S and Agemo (Pty) Ltd	-	646 875
Pioneer Natural Resources SA (Pty) Ltd	1 504 849	1 956 160
Petro SA	167 340	314 935
Sasol Petroleum International (Pty) Ltd	143 369	150 000
Global Offshore Oil Exploration SA (Pty) Ltd	-	327 165
BHP Billiton	644 797	304 749
Petroleum Limited	(103 459)	149 594
	<u>4 996 217</u>	<u>6 710 601</u>

12. Taxation

Upstream Training Trust has been registered as a Public Benefit Organisation and as a result there is no provision for income tax as the Trust is exempt from taxation in terms of Section 10 (1) f of the Income Tax Act.

THE UPSTREAM TRAINING TRUST
DETAILED INCOME STATEMENT
for the year ended 31 March 2004

	2004 R	2003 R
Gross revenue		
Grants receivable	4 996 217	6 710 601
Cost of sales		
Other income		
Interest received	986 304	1 608 963
Total income	5 982 521	8 319 564
Expenditure	4 975 045	4 335 211
Auditors' remuneration	31 052	38 100
Bad debts	(108 069)	1 085 224
Bank charges	6 217	4 288
Bursaries paid	848 770	336 556
Consulting fees	-	1 638
Financial services	17 046	20 800
Freight Charges	-	222
Internal audit	89 700	16 318
Legal expenses	73 685	792
Loss on foreign exchange	1 205 264	1 457 990
Management fees	373 590	212 357
Marketing expenses	33 043	101 735
Printing and stationery	911	-
Projects funded	2 403 836	1 059 191
Surplus	1 007 476	3 984 353
Retained surplus at beginning of year	9 981 818	5 997 465
Retained surplus at end of year	<u>10 989 294</u>	<u>9 981 818</u>

**THE UPSTREAM TRAINING TRUST
OPERATING HIGHLIGHTS
for the year ended 31 March 2004**

BURSARIES

2002 ACADEMIC YEAR

The Trust supported 17 students at a total cost of R336 556

The following passed and graduated at the end of the year:

- Two (2) Masters in Geology,
- Six (6) Honours (4 Mechanical Engineering and 2 in Geology)
- One (1) BSc. (geology)
- the rest passed their academic year and proceeded to the following year
- only one (1) student failed and his bursary was not renewed

A student from the University of Pretoria registered sixteen (16) courses in his first year and obtained six (6) distinctions. Two (2) students were offered internship after completing and graduated in Honours and Masters at the Petroleum Agency SA.

2003 ACADEMIC YEAR

The Trust supported 30 students at a total cost of R848 770.

The following results can be summarised:

- One (1) student who was doing 3rd year passed and graduated
- Twenty four (24) students passed their academic years and
- Five (5) students failed and their bursaries were not renewed

A student from UDW excelled in his results, he obtained six (6) distinctions and his overall percentage was above expectation (passed first year with distinction). There were eleven (11) students who obtained two (2) to three (3) distinctions each in Maths, Physics, Chemistry, Geology, Statistical Methods and Analytical Chemistry.

PERFORMANCE RESULTS

Since its inception, the Upstream Training Trust has supported sixty-eight (68) students in different institutions around the country. The history of the sixty-eight (68) can be summarised as follows:

➤ 30	Currently studying and still funded by UTT (2003)
➤ 8	Failed and their bursaries were not renewed
➤ 5	returned their bursaries as they got a better package which includes employment opportunities
➤ 6	After graduating they trained for teaching profession so that they can support their families
➤ 2	after graduating took time off from studying
➤ 1	doing Masters in Geology with UCT
➤ 1	doing PHd in Geology with UCT
➤ 7	working in the mines
➤ 6	After completion the institutions lost track of them
➤ 2	Interns at the Agency

**THE UPSTREAM TRAINING TRUST
OPERATING HIGHLIGHTS
for the year ended 31 March 2004**

PROJECTS SUPPORTED BY THE TRUST

In the year 2002, the Trust supported nine (9) projects to the value of R1 059 191, and in 2003 the Trust supported eleven (11) projects to the value of R2 403 836. Seven of the projects that were supported in 2002 were supported again in 2003 because of the outstanding results, and the funding was also increased.

Below is the summary of the results of the projects that were supported in two consecutive years:

<p>Midlands Community College –Maths, Science and Technology Project KwaZulu Natal</p>	<p>Set up a recovery project to provide a second chance to matriculants who want to upgrade Maths, Science and English, to enable them to obtain entrance into tertiary education.</p>	<p>63 Learners in total, but 62 wrote examination and one was hospitalized. Maths – 100% pass with 15 “A”, 13 “B”, 16 “C” . Ever since the project started in 1999, no one has failed Science. Again 100% pass rate in Maths with 1 “A”, 9 “B” and 18 “C” Placement of learners into tertiary stands at 73% since its inception.</p>
<p>Midlands Community College – Saturday School and Staff in- service training KwaZulu Natal</p>	<p>Programme that will put the capacity in place in the schools to enable them to deliver quality Maths, Science and related education at the coalface.</p>	<p>50 grade 12 learners attended classes during 2003, and 49 wrote exams Maths – one learner achieved A (HG), two learners achieved A (SG), 3 learners achieved B(SG), 3 learners achieved C (SG), 5 learners D (SG), 11 Learners achieved E (SG), 21 learners achieved F(SG). Physics – 2 learners achieve A(SG), 2 learners achieve B(SG), 11 learners achieve D(SG), 19 learners achieve E(SG).</p>
<p>Joint Teaching & Research Programme in Petroleum Geology (University of Cape Town, Western Cape and Stellenbosch) Western Cape</p>	<p>To address the need of the upstream oil and gas industry in South Africa.</p>	<p>In the four years 2000-2003, 26 students have graduated from the Petroleum course, 62% were black and 31% were women. Six students registered for MSc’s and two registered for PHd. Petroleum Studies staff also teaches undergraduates, so as to introduce them to the petroleum geosciences at an earlier stage.</p>

**THE UPSTREAM TRAINING TRUST
OPERATING HIGHLIGHTS
for the year ended 31 March 2004**

<p>Primary Science Development Project (PSDP) Western Cape</p>	<p>The PSDP provides in service education and training support in the natural sciences (grades 4-7) and related subjects to a core of 120 seriously disadvantaged primary schools in the Western Cape, through:</p> <ul style="list-style-type: none"> • Courses for teachers; • Follow up in schools; • Demonstration lessons; • Materials development. <p>The external evaluation will examine:</p> <ul style="list-style-type: none"> • Learning materials; • Training courses; • Practice classes; • Impact on learners; <p>over a 3 year period.</p>	<p>Involves teachers, of whom 60% are women from disadvantaged primary schools in the townships and Boland rural areas. About 737 teachers attended, where they develop and show own plans for teaching and assess outcome Based Education (OBE). Materials are becoming widely used, all teachers receive them and through word of mouth Involved in extensive evaluation, conducted by Proff. Cliff Malcolm of UDW Evaluation – PSP doing extremely well in terms of demonstrating lessons, school visits, produce material, promoting particular approaches to curriculum, teaching assessing and whole school planning.</p>
<p>Primary Mathematics and Natural Sciences in-service Education and Support Project for Teachers in Rural School in the Boland Western Cape</p>	<p>This project will provide coherent in service education and support in the natural sciences and maths to grade 4 – 7 teachers in 10 primary disadvantaged schools in the Boland area.</p>	<p>School visits are conducted two to three times a term for classroom support and teacher support PSDP has worked with a total of 27 teachers Project activities have been successfully undertaken and results are being achieved. Teachers are presented with copies of issues discussed by teacher and facilitator Works with grade 4 to 7 learners and educators, totaling 44 teachers and 1346 learners in Maths and 29 teachers and 800 learners in Natural Sciences. Project activities have been successfully undertaken Outcomes achieved during lesson, issues discussed by teacher and the facilitator, are recorded and presented to the teacher Each teacher presents work schedules to fieldworker</p>
<p>Bridging Saturday School & Support Scheme (Leaf Bay College) Western Cape</p>	<p>Extra classes for grade 10 in Mathematics and financial assistance to provide grants. Provides learners with an opportunity to engage in activities that extend curriculum beyond what is normally offered in township schools</p>	<p>Functions as a full time grade 10-12 programme 52 learners have enrolled at COSAT since 2001 and 2002, and 44 learners have entered into Science, Engineering and Technology. 30 learners wrote exams, and all passed with 23 obtaining entrance to the university and 7 obtained a entrance to the technikon and college</p>

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