



THE UPSTREAM TRAINING TRUST

(Registration number IT1289/1998)

Annual financial statements
for the year ended 31 March 2006

Prepared by



Petroleum Agency SA

The Upstream Training Trust

Annual Financial Statements for the year ended 31 March 2006

General Information

Country of incorporation and domicile	South Africa
Nature of business and principle activities	Training and education in the field of oil and gas exploration and development
Trustees	Mr K van Wyk Mr M A Ranoszek Mr A Mjekula
Business address	Petroleum House 151 Frans Conradie Drive Parow 7500
Postal address	P O Box 1174 Parow 7499
Bankers	ABSA Bank Limited Parow branch
Auditor	Ernst & Young Registered Accountants and Auditors
Secretary	CEF (Proprietary) Limited
Trust number	IT1289/1998
Administrators	Petroleum Agency SA
Vision	To be the foremost facilitator of education and skills development for the petroleum industry.
Mission Statement	Contribute towards the development of sustainable science and engineering capacity for the petroleum industry through investment in the human capital development of South Africans with specific emphasis on historically disadvantaged individuals.

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Chairperson's Review

The Upstream Training Trust is a tool established to address lack of skills in the science and technology sector with specific reference to oil and gas exploration and production. When 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 these specific skills mentioned above. The Exploration & Production companies wishing to do exploration and production activities in South Africa are contractually bound to make contributions to a training fund.

Bursaries

As far as the activities of the Trust are concerned, at the beginning of the academic year 2005, trustees had approved 42 students' applications for the bursary programme of which four of them did not participate and funds were rolled over to the academic year 2006 and further two students withdrew after receiving another bursary with employment offers at the end of their studies. Of these 7 were honours students, 7 were third-year, 11 were second-year and another 11 were first year. It should be noted that some students have been given an opportunity to break their first year into two years. Out of these 7 students failed giving the bursary programme 80.5% pass rate. Upstream Training Trust is proud that Schlumberger and BHP Billiton offered two students, who both completed their BSc Honours Geology, employment at the end of 2005.

Projects

The Trust also supported 13 sciences and engineering projects including the industry specific Petroleum Studies Programme. This is as a joint programme conducted by the Western Cape, Cape Town and Stellenbosch Universities. One of the projects funded by the Trust was Tile, which has been adopted by the Department of Education in the Western Cape and has been implemented in three schools. All other projects have performed very well and this was confirmed by both the internal audit conducted by CEF and the evaluation report by the independent consultants.

Performance Evaluation

The Upstream Training Trust was successfully evaluated in 2005. The main aim was to check whether the Trust was producing deliverables that are consistent with objectives of the Trust outlined in the establishment document. The evaluation also explored the efficient use of the resources in the delivery of the Trust's activities. The evaluation concluded that the actual activities undertaken by the Trust are generally in line and consistent with the objectives set out in the Trust document. It also found that the administration of the Upstream Training Trust and its funds is in accordance with the best practice.

This evaluation was then followed by a Strategic planning session for the Trustees, which was a recommendation from the evaluation. In the Strategic workshop trustees further reviewed the activities of the Trust and how best to package them.

Conclusion

The Upstream Training Trust was primarily set out to contribute to education of, particularly, previously disadvantaged South Africans in the fields of mathematics, science and technology in general and to promote the entrance into the petroleum industry specifically. The Upstream Training Trust should therefore, without doubt be supported and preserved as a tool that has been used for promotion of opportunities and careers in the petroleum industry at large. Upstream Training Trust also has potential of being a vehicle that the petroleum industry can utilize for social development of human resources in line with the Government policies.

Lastly I wish to thank my fellow trustees, 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 A. MJEKULA

CHAIRPERSON - BOARD OF TRUSTEES

The Upstream Training Trust

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Approval and Statement of Responsibility

The trustees are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the trust as at the end of the financial year and the results of its operations and cash flows for the period. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The trustees are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

In light of the current financial position the trustees are satisfied that the trust has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 7 to 21, which have been prepared on the going concern basis, were approved by the board of trustees on 08 December 2006 and were signed on its behalf by:



Trustee



Trustee

The Upstream Training Trust

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Statement on Corporate Governance

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. Ernst & Young are the external auditors who provide audit and advisory services to the Upstream Training Trust.

Board of Trustees

The board of trustees 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 Department of Minerals and Energy representative resigned in December 2005, no replacement has been appointed yet by the Department of Minerals and Energy. 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.

Trust secretary

The Trust 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 headed by the Chief Audit Executive, and accountable to the Petroleum Agency SA board audit committee provides service to the Trust. 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.

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.

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.

The Upstream Training Trust

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Performance Against Objectives

The Upstream Training Trust has started to measure its performance against its objectives. It reports on a quarterly basis to the Board of Trustees. It also reports its activities to the Petroleum Agency SA Board and CEF (Pty) Ltd Board.

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

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

Objective	Key Achievements	Target	Actual completion
Providing bursaries to 42 students and the predominance be the previously disadvantaged community.	Only 36 bursaries were paid out. Three bursaries were not claimed and one student was not accepted for Masters, 2 withdrew. Seven students failed.	27.78%	23.81%
Providing funding to science and engineering projects to build a strong science base in the industry	12 community- based projects and one industry specific university programme received funding. Positive good results, satisfactory quarterly reports were obtained.	27.78%	27.78%
Market the Upstream Training Trust to create interest and awareness of earth science and to promote careers in these fields	Attended a DME Energy week. Exhibited at 4 science festivals. Attended information sessions organized by DME. Website administration.	22.22%	22.22%
Ensure efficient and professional financial management and administration of the Trust	Full compliance with GAAP and King Report II Compliance with the Trust Deed	22.22%	22.22%
		100%	96.03%

The Upstream Training Trust

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Trustees' Report

The trustees submit their report for the year ended 31 March 2006.

1. Review of activities

Main business and operations

The Upstream Training Trust (UTT) was founded in May 1997 by 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.

Bursaries

In the 2005/2006 financial years UTT has disbursed bursaries totaling R973,436 to the following deserving students. Three of the students have been accepted in different institutions to study Masters in Geology and Geophysics and that two students, who both completed their BSc Honours Geology, were offered employment at the end of 2005.

Academic year 2005 - bursary recipients

	<i>Name</i>	<i>Institution</i>	<i>Degree</i>	<i>Status</i>	<i>Gender</i>
1.	A.F. Williams	Rhodes University	BSc. Geophysics	Honours	M
2.	C. Combrinck	Pretoria University	BSc. Geophysics	Honours	M
3.	P.T. Mhlongo	KwaZulu Natal University	Mechanical Engineering	Did not register for a Masters degree	M
4.	R.R. Mnisi	Vaal University of Technology	Mechanical Engineering	3 rd	M
5.	Z. Dladla	Natal University	Chemical Engineering	2 nd	M
6.	S. Classen	University of the Free State	BSc. Geology	2 nd	M
7.	A. A. Nolokwe	Nelson Mandela Metropolitan University	Information Technology	2 nd	F
8.	S. Ndlovu	Nelson Mandela Metropolitan University	Mechanical Engineering	2 nd	M
9.	N.S. Mkhohliwe	Cape Peninsula University of Technology	Mechanical Engineering	2 nd	F
10.	U.E. Pukayi	Cape Peninsula University of Technology	Mechanical Engin.	2 nd	M
11.	S.Singh	KwaZulu Natal University	Chemical Eng.	3 rd	F

The Upstream Training Trust

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Trustees' Report

	<i>Name</i>	<i>Institution</i>	<i>Degree</i>	<i>Status</i>	<i>Gender</i>
12.	T.L. Dlamini	KwaZulu Natal University	Chemical Eng.	3 rd	M
13.	N. Q. Chonco	KwaZulu Natal University	Mechanical Engin.	3 rd	M
14.	L.N. Myeza	KwaZulu Natal University	Chemical Engin.	3 rd	M
15.	L. Madyibi	University of Fort Hare	BSc. Geology	Honours	M
16.	Z. Madikazi	Stellenbosch University	Mechanical Engin.	Withdrew (2nd)	M
17.	N. Lallbadhur	KwaZulu Natal University	Chemical Engin.	3 rd	M
18.	C. Bloemenstein	University of the Western Cape	BSc Geology	Honours	F
19.	S. Kunene	KwaZulu Natal University	BSc Geology	1 st	M
20.	C. Lukhele	KwaZulu Natal University	Chemical Engineering	2 nd	M
21.	P. Sangweni	KwaZulu Natal University	Chemical Engineering	2 nd	F
22.	Sumeeth Singh	KwaZulu Natal University	BSc Geology	1 st	F
23.	L. Malghas	Durban Institution of Technology	Information Systems	2 nd	M
24.	A. Jacobs	Nelson Mandela Metropolitan University	Geo Information systems	3 rd	M
25.	T. Sityebi	Nelson Mandela Metropolitan University	Mechanical Engineering	1 st	M
26.	C. Makhwelo	Rhodes University	Geology	Honours	M
27.	C Jones	University of the Western Cape	Geology	Honours	F
28.	B Makhongwana	University of the Western Cape	Geology	Honours	F
29.	N. Xotyeni	University of the Western Cape	Geology	1 st	F
30.	A. Khuzwayo	University of Cape Town	Geology	1 st	F

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Trustees' Report

	<i>Name</i>	<i>Institution</i>	<i>Degree</i>	<i>Status</i>	<i>Gender</i>
31.	T Madlala	University of Cape Town	Mechanical Engineering	Withdrew (2nd)	M
32.	Z. Ntantiso	Cape Peninsula University of Technology	Electrical Engineering	1 st	M
33.	X Nyembezi	Cape Peninsula University of Technology	Electrical Engineering	1 st	M
34.	S Ngeleza	University of Johannesburg	Mechanical Engineering	1 st	M
35.	L Ncala	Wits University	Mechanical Engineering	2 nd	M
36.	R. Jaer	Free State University of Technology	Civil Engineering	2 nd	M
37.	T Seboco	University of the Free State	BSc Geology	1 st	M
38.	T Tenza	North West University	BSc Geology	1 st	M
39.	R Molapo	Pretoria University	Information Systems	1 st	M

2005/2006 projects

In 2005/2006 the Upstream Training Trust funded the following Projects to the value of R 4,429,315.

Name of the institution	Project name	Main objective
Western Cape Primary Programme	The Primary Science Development Project	PSDP focuses on helping teachers to lay a suitable foundation for developing learners' mathematics, science and technology skills, improved language competences and better social understanding.
Midlands Community College	Maths, Science and Technology Project – Recovery Programme	This programme provides students, who have passed their Matric but did not do well in Maths, Science and English, to improve their results so that they can gain entry into Tertiary Education. Also provides training in Maths and Science for Educators and students from schools in the surrounding.
Headstart College	Bridging Programme – Grade 12	Provides previously disadvantaged students, post-grade 12, bridging education in Maths, Science, Engineering Science, Computer Practice and Small Business Management
Cape Technikon (Cape Peninsula University of Technology)	Gateway Discovery Mobile	This is a specially customized exhibition vehicle equipped with 40 interactive exhibits, designed for all ages but with a particular reference to the curriculum needs of learners in Grade 4 –7.

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Name of the institution	Project name	Main objective
North west University, Potchefstroom	The Sediba / Ikataleng	The aim of the project is to upgrade Maths and Science Educators teaching Grades 10, 11 and 12. After two years these Educators receive an Advanced Certificate in education with the University.
Centre for the Advancement of Science and Mathematics Education CASME	Science and Mathematics Resource Centre	CASME provides a range of activities of services for mathematics and science educators who utilize a Resource Centre in KwaZulu Natal.
The Institute for Leadership and Education TILE	Science, Technology Curriculum Project Phase 1	A research project "The Teacher as Scientist" Exploring Teachers' views on Science as a key to Curriculum change in Science Education.
False Bay College	Grant holders' Programme	Financial support of 15 COSAT (Centre of Science & Technology) students doing Grade 12. It includes basic tuition, textbooks and transport allowance.
False Bay College	COSAT Bridging Saturday School	Saturday School forms a foundation of COSAT's remedial programme for grade 10 learners entering COSAT programme.
False Bay (SERI)	Fun'ulwazi	Fun'ulwazi is a programme that caters for 50 Grade 8's and 50 Grade 9's from 22 Khayelitsha schools. These learners are selected by their schools to attend Fun'ulwazi. The programme aims to provide enrichment activities in mathematics, science as well as computer literacy and English.
Tshwane University of Technology	Intensive Learning Campaign	This is a run by students at the Tshwane University of Technology, who offer additional mathematics, science and biology classes to Grade 10-12 learners from eight schools in the rural areas of Molepo district in Polokwane.
SAIMechE	National Technology Olympiad	Exposes both learners and educators to basic engineering skills through workshops using "Technology kits". Coupled with the competition, workshops are presented at schools all over the country as means of skills development.
Cape Town, Western Cape and Stellenbosch Universities	Joint Petroleum Studies Programme	This programme aims to teach high quality geoscience courses to undergraduate and post-graduate students as well as to the industry. This will create a new understanding of Africa's Petroleum wealth.

The operating results for the year and the financial position of the Trust are set out in the attached financial statements and although the current year resulted in a net deficit the Trust has enough reserves to cover the deficit.

The net deficit of the trust was (R 1,295,522), (2005:R 863,715).

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Trustees' Report

2. Going concern

We draw attention to the fact that at 31 March 2006, the trust had an accumulated surplus of R 10,557,488 and that the trust's total assets exceed its liabilities by R 10,557,588.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The trustees believe that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Post balance sheet events

The trustees are not aware of any matter or circumstance arising since the end of the financial year.

4. Authorised and issued trust funds

There were no changes to the authorised or issued capital of the trust during the year under review.

5. Trustees

The trustees of the Trust during the year and to the date of this report are as follows:

Name	Nature of change in appointment	Date of change
Mr K van Wyk	New appointment	15 February 2006
Mr M A Ranzoszek		
Dr G Jackson	Resignation	22 February 2006
Ms L Makhanya	Resignation	31 December 2005
Mr A Mjekula	New appointment	09 February 2006
Mr M Xiphu	Resignation	09 February 2006

6. Secretary

The secretary of the trust is CEF (Proprietary) Limited of:

Business address

1st Floor
158 Jan Smuts Avenue
9 Walters Avenue
Rosebank

Postal address

P O Box 786141
Sandton
2146

7. Auditors

Ernst & Young will continue in office for the following year.

The Upstream Training Trust

Annual Financial Statements for the year ended 31 March 2006

Balance Sheet

Figures in Rand	Note(s)	2006	2005
Assets			
Current Assets			
Trade and other receivables	4	1,230,865	7,773
Funds invested	3	11,111,809	13,829,095
		12,342,674	13,836,868
Total Assets		12,342,674	13,836,868
Funds and Liabilities			
Trust Funds			
Trust capital		100	100
Accumulated funds		10,557,488	11,853,010
		10,557,588	11,853,110
Liabilities			
Current Liabilities			
Trade and other payables	5	1,785,086	1,983,758
Total Funds and Liabilities		12,342,674	13,836,868

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Income Statement

Figures in Rand	Note(s)	2006	2005
Revenue	6	3,738,920	4,231,495
Other income		1,260	-
Operating expenses		(5,854,649)	(4,412,673)
Profit (loss) on foreign exchange		9,392	132,338
Operating loss	7	(2,105,077)	(48,840)
Investment revenue	8	809,555	912,555
(Deficit)/surplus for the period		(1,295,522)	863,715

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Statement of Changes in Equity

Figures in Rand	Trust capital	Retained income	Total equity
Balance at 01 April 2004	100	10,989,295	10,989,395
Changes			
Surplus for the year		863,715	863,715
Total changes	-	863,715	863,715
Balance at 01 April 2005	100	11,853,010	11,853,110
Changes			
Deficit for the year		(1,295,522)	(1,295,522)
Total changes	-	(1,295,522)	(1,295,522)
Balance at 31 March 2006	100	10,557,488	10,557,588

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Cash flow Statement

Figures in Rand	Note(s)	2006	2005
Cash flows from operating activities			
Cash receipts from customers	10	2,517,088	4,910,682
Cash paid to suppliers and employees	10	(6,053,321)	(4,836,110)
Cash (used in)/generated from operations	11	(3,536,233)	74,572
Interest income		809,555	912,555
Net cash from operating activities		(2,726,678)	987,127
Cash flows from investing activities			
Change in funds invested		2,717,286	(1,119,465)
Total cash movement for the period		(9,392)	(132,338)
Effect of exchange rate movement on cash balances		9,392	132,338
Total cash at end of the period		-	-

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Annual Financial Statements for the year ended 31 March 2006

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous year.

1.1 Financial instruments

Financial instruments carried on the balance sheet include trade and other receivables, investments, trade and other payables.

Funds invested

In terms of a written agreement between the Upstream Training Trust and CEF (Proprietary) Limited, 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 0.15% per annum, while debit balances are charged the NACM return on the total money market portfolio, plus 0.15%.

Initial recognition

Financial instruments are measured upon initial recognition at fair value plus any directly attributable transaction costs.

Subsequent measurement

Trade and other receivables which generally have 30 to 60 day terms, are carried at original invoice amount less an allowance for any unrecoverable amounts. Provision is made when there is objective evidence that the trust will not be able to collect the debts. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and are measured at fair value.

Gains and losses

Gains and losses arising from the cash flow hedges are recognised in net surplus or deficit.

Gains and losses arising from a change in the fair value of financial instruments are recognised in surplus or deficit.

Derivative financial instruments

Derivative financial instruments are recognised at fair value at subsequent reporting dates.

Forward foreign exchange contracts and interest rate swaps contracts are used by the trust in its management of financial risk.

1.2 Taxation

The Upstream Training Trust has been registered as a Public Benefit Organisation to ensure its tax-free status.

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Annual Financial Statements for the year ended 31 March 2006

Accounting Policies

1.3 Revenue

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.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.4 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate at the date of the transaction.

At each balance sheet date foreign currency monetary items are translated using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

1.5 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.

1.6 Comparative figures

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

The Upstream Training Trust

Annual Financial Statements for the year ended 31 March 2006

Notes to the Annual Financial Statements

Figures in Rand	2006	2005
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2. Changes in accounting policy

The annual financial statements have been prepared on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- IAS1 Presentation of Financial Statements
- IAS21 The Effects of Changes in Foreign Exchange Rates
- IAS32 Financial Instruments: Disclosure and Presentation
- IAS39 Financial Instruments: Recognition and Measurement

3. Funds invested

Funds invested	11,111,809	13,829,095
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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.

Credit balances with CEF (Proprietary) Limited earn the average NACM return on the total money market portfolio of CEF (Proprietary) Limited, less 0.15% per annum, while debit balances are charged the NACM return on the total money market portfolio, plus 0.15%.

4. Trade and other receivables

Trade receivables	447,182	7,773
Sundry receivables	783,683	-
	1,230,865	7,773

5. Trade and other payables

Trade payables	24,729	(1,013)
Amounts received in advance	1,362,279	1,961,726
Other payables	398,078	23,045
	1,785,086	1,983,758

6. Revenue

Grants	3,738,920	4,231,495
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Gross revenue comprises turnover, which excludes value-added tax and represents the invoiced value of grants received

7. Operating profit/(loss)

Operating loss is stated after taking the following into account:

Profit on exchange differences	9,392	132,338
Administration and management fees	85,990	470,185
Consulting and professional fees	183,069	113,880
Provision for doubtful debts	-	(199,744)

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Notes to the Annual Financial Statements

Figures in Rand	2006	2005
8. Investment revenue		
Interest revenue		
Received on investment	802,055	911,316
Other interest received	7,500	1,239
	809,555	912,555
9. Auditors' remuneration		
Prior year	76,059	53,238
10. Cash received and paid		
Cash receipts from grantors		
Turnover and other revenue	3,740,180	4,231,495
Movement in accounts receivable	(1,223,092)	679,187
	2,517,088	4,910,682
Cash paid to suppliers and service providers		
Operating costs	(5,854,649)	(4,612,417)
Movement in accounts payable	(198,672)	(223,693)
	(6,053,321)	(4,836,110)
11. Cash generated from/(used in) operations		
Deficit (surplus) before taxation	(1,295,522)	863,715
Adjustments for:		
Interest received	(809,555)	(912,555)
Foreign exchange differences	(9,392)	(132,338)
Provision for doubtful debts	-	(199,744)
Changes in working capital:		
Trade and other receivables	(1,223,092)	811,525
Trade and other payables	(198,672)	(356,031)
	(3,536,233)	74,572

12. Risk management

Liquidity risk

The trust's liquidity risk is a result of the funds needed to cover future commitments. The trust manages liquidity risk through an ongoing review of future commitments, credit facilities and cash flow forecasts.

Interest rate risk

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

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Annual Financial Statements for the year ended 31 March 2006

Notes to the Annual Financial Statements

Figures in Rand	2006	2005
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12 Risk management (continued)

Credit risk

Financial assets which potentially subject the Trust to credit risk are trade receivables and the amount owed by CEF (Pty) Ltd. Foreign trade receivables is a significant concentration of credit risk to the Trust. The carrying amounts shown on the balance sheet represents the Trust's maximum exposure to credit risk.

Foreign exchange risk

The trust undertakes certain transactions denominated in foreign currencies and is exposed to the risk of exchange rate fluctuations. The trust manages this risk by entering into forward foreign exchange contracts.

Exchange rates used for conversion of foreign items were: _____

USD	6.196	6.248
GBP	10.773	11.751
Euro	7.505	8.089

Forward exchange contracts which relate to future commitments

The trust reviews its foreign currency exposure, including commitments, on an ongoing basis. The trust expects its foreign exchange contracts to hedge foreign exchange exposure.

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Detailed Income Statement

Figures in Rand	Note(s)	2006	2005
Revenue			
Grants		3,738,920	4,231,495
Other income			
Recoveries		1,260	-
Interest received		809,555	912,555
Profit on exchange differences		9,392	132,338
		820,207	1,044,893
Expenses (Refer to page 21)		(5,854,649)	(4,412,673)
Operating (deficit) surplus		(1,295,522)	863,715
(Deficit) surplus for the period		(1,295,522)	863,715
Operating expenses			
Administration and management fees		(85,990)	(470,185)
Auditors remuneration		(76,059)	(53,238)
Bad debts		-	199,744
Bank charges		(13,942)	(15,719)
Bursaries granted		(973,436)	(442,876)
Computer expenses		(5,586)	-
Consulting and professional fees		(183,069)	(79,145)
Internal audit services		(22,891)	(5,726)
Legal expenses		-	(34,735)
Printing and stationery		-	(2,375)
Promotional expenses		(64,361)	(47,473)
Projects funded		(4,429,315)	(3,460,945)
		(5,854,649)	(4,412,673)

The Upstream Training Trust

Annual Financial Statements for the year ended 31 March 2006

Supplementary schedules

1. Key to abbreviations

BHP Billiton	Brocken Hill Proprietary Billiton
CASME	Centre for the Advancement of Science and Mathematics Education
CEF	Central Energy Fund
CNR	Canadian Natural Resources
COSAT	Centre of Science and Technology
DME	Department of Minerals and Energy
GAAP	Generally Accepted Accounting Practice
NACM	Nominal Annualised Capitalised Monthly
PSDP	Primary School Development Project
SAIMechE	South African institute of Mechanical Engineering
TILE	The Institute for Leadership and Education
UCT	University of Cape Town
UDW	University of Durban Westville
UPE	University of Port Elizabeth
US	United States
UTT	Upstream Training Trust
WCPSP	Western Cape Primary Schools Project