

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

## 32. Additional Financial Instruments Disclosure

### (a) Foreign exchange risk exposure

The Santos Group is exposed to foreign exchange risk principally through the sale of liquid petroleum products denominated in US dollars, US dollar borrowings and US dollar expenditure. In order to hedge this foreign exchange risk, the Santos Group has from time to time entered into forward foreign exchange, foreign currency swap and foreign currency option contracts.

At 31 December 2004 the Santos Group has one open forward foreign currency exchange contract which has expired in January 2005. If closed out at balance date a loss of \$0.2 million would have resulted.

US dollar denominated borrowings are either swapped into Australian dollar exposure (2004: US\$321.4 million; 2003: US\$115.0 million) or designated as a hedge of US dollar denominated investments in self-sustaining overseas controlled entities (2004: US\$313.0 million; 2003: US\$323.6 million) or as a hedge of future US denominated sales revenues (2004: US\$146.4 million; 2003: US\$219.4 million). As a result, there were no net foreign currency gains or losses arising from translation of US denominated dollar borrowings recognised in the statements of financial performance in 2004. Accordingly, \$37.4 million of unrealised foreign currency gains were deferred as at 31 December 2004 (2003: gains of \$66.3 million). The ultimate foreign currency gains or losses will be included in the measurement of the specific hedged US dollar denominated sales revenues to be realised in the years 2005 through 2006.

The Australian dollar equivalents of foreign currency monetary items included in the statements of financial position to the extent that they are not effectively hedged are:

		Consolidated		Santos Ltd	
		2004	2003	2004	2003
		\$million	\$million	\$million	\$million
Current assets	– United States dollars	126.4	82.7	32.9	41.3
Current liabilities	– United States dollars	60.5	35.4	6.5	8.5
Non-current liabilities	– United States dollars	26.5	–	–	–