Santos

Santos Finance Ltd

ABN 81 002 799 537

Annual Financial Report

For the financial year ended 31 December 2023

Santos Finance Ltd
ABN 81 002 799 537

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Directors' Report

The Directors present their report together with the financial statements of Santos Finance Ltd (the "Company") for the financial year ended 31 December 2023 and the auditor's report thereon.

1. Directors

The names of the Directors in office at the date of this report are:

Kevin Gallagher

Guy Cowan

Keith Spence

Unless otherwise stated above, the Directors have held their office at all times since the beginning of the financial year. There were no other persons who acted as directors at any time during the financial year.

2. Principal activities

The principal activity of the Company during the financial year was to provide centralised finance activities for the Santos Limited group. No significant change in the nature of this activity has occurred during the year.

3. Review and results of operations

During the year, the Company continued to manage external borrowings for the Santos Limited Group and provide funding for the parent entity and its controlled entities. In September 2023, the Company completed a US$850 million Rule 144A/Regulation-S bond issuance maturing in 2033 at a fixed coupon of 6.875%. The net profit for the financial year after providing for income tax was $677,592,844 (2022: $327,405,869).

4. Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial period.

5. Dividends

No dividends have been paid or declared during the financial year and no dividends have been recommended by the Directors.

6. Events subsequent to the reporting date

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

7. Likely developments

With respect to likely developments in the operations of the Company in future financial years, it is expected that the Company will continue its principal activity as set out above.

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

8. Indemnification

Rule 12 of the Company's Constitution provides that the Company indemnifies each person who is or who has been an "officer" of the Company against any liability to another person (other than the Company or a related body corporate) arising from their position as such officer, unless the liability arises out of conduct involving a lack of good faith. Rule 12 also provides for an indemnity in favour of an officer or auditor (Ernst & Young) in relation to costs incurred in defending proceedings in which judgment is given in their favour or in which they are acquitted or the Court grants relief.

For the purpose of Rule 12, "officer" has the meaning given in Rule 12.1 but limited to such officers appointed from the date that the Company became a subsidiary of Santos Limited.

Directors' Report

During the year, premiums have been paid on behalf of the Company to insure all directors, officers and employees of the Company against claims brought against the individual while performing services for the Company and against expenses relating thereto. The amount of the insurance premium paid during the year has not been disclosed as it would breach the confidentiality clause in the insurance policy.

9. Rounding

ASIC Corporations (Rounding in Financial/Director's Report) Instrument 2016/191 applies to the Company. Accordingly, amounts have been rounded off in accordance with that Instrument, unless otherwise indicated.

10. Proceedings on behalf of the Company

There are no current proceedings on behalf of the Company.

11. Environmental regulation

The Company is subject to various environmental regulations under Commonwealth, State and Territory legislation. Application legislation and requisite environmental licenses are specified in the EHS Compliance Database, which forms part of the consolidated entity's overall Environmental Management System. Compliance performance is monitored on a regular basis and in various forms, including environmental audits conducted by regulatory authorities and by the Company, either through internal or external resources.

During the financial year, the Company received no fines relating to Infringement Notices issued pursuant to the *Environmental Protection Act 1994* (Qld) and the *Waste Reduction and Recycling Act 2011* (Qld).

12. Auditor's independence declaration

The auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the financial year ended 31 December 2023.

This Directors report is made out in accordance with a resolution of the Directors.

K.T. Gallagher

Director
Date: 28 March 2024

Ernst & Young
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Adelaide SA 5000 Australia
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Auditor's independence declaration to the directors of Santos Finance Ltd

As lead auditor for the audit of the financial report of Santos Finance Ltd for the financial year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Darryn Hall
Partner
28 March 2024

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Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

	Note	Dec 2023 $'000	Dec 2022 $'000
Finance income	2	1,354,403	891,156
Finance costs	2	(629,470)	(300,219)
Foreign exchange loss		(2,191)	(17,388)
Impairment reversal/(loss) on receivables from related entities		97,805	(24,873)
Net gain/(loss) on financial instruments at FVTPL	3	105,526	(84,120)
Other expenses		-	(110)
Profit before tax		**926,073**	**464,446**
Income tax expense	4	(248,480)	(137,040)
Net profit for the period		**677,593**	**327,406**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Fair value changes on financial liabilities designated at fair value due to own credit risk		-	(259)
Total items that will not be reclassified subsequently to profit or loss		-	**(259)**
Total other comprehensive income		-	**(259)**
Total comprehensive income		**677,593**	**327,147**

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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Statement of Financial Position

as at 31 December 2023

	Note	Dec 2023 $'000	Dec 2022 $'000
Current assets			
Cash and cash equivalents	5	709,885	1,218,434
Other receivables	6	464	5,928
Other financial assets	7	998,460	462,534
Prepayments		1,103	4,442
Total current assets		**1,709,912**	**1,691,338**
Non-current assets			
Other financial assets	7	11,686,978	13,729,353
Deferred tax assets	4	-	23,669
Prepayments		2,080	-
Total non-current assets		**11,689,058**	**13,753,022**
Total assets		**13,398,970**	**15,444,360**
Current liabilities			
Other payables	8	47,876	30,730
Other financial liabilities	9	1,986,806	1,458,303
Total current liabilities		**2,034,682**	**1,489,033**
Non-current liabilities			
Loans and borrowings	10	9,401,939	12,684,460
Deferred tax liabilities		13,889	-
Total non-current liabilities		**9,415,828**	**12,684,460**
Total liabilities		**11,450,510**	**14,173,493**
Net assets		**1,948,460**	**1,270,867**
Equity			
Issued capital	11	1,951,510	1,951,510
Reserves		(154,432)	(154,432)
Retained earnings/(accumulate losses)		151,382	(526,211)
Total equity		**1,948,460**	**1,270,867**

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Statement of Changes in Equity

for the year ended 31 December 2023

	Issued capital	Other reserves	Translation reserve	Hedging and own credit risk reserve	Retained earnings/ (accumulated losses)	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2022	**1,951,510**	**(34,100)**	**(105,950)**	**(14,123)**	**(853,617)**	**943,720**
Net profit for the period	-	-	-	-	327,406	327,406
Other comprehensive income	-	-	-	(259)	-	(259)
Total comprehensive income	**-**	**-**	**-**	**(259)**	**327,406**	**327,147**
Balance at 31 December 2022	**1,951,510**	**(34,100)**	**(105,950)**	**(14,382)**	**(526,211)**	**1,270,867**
Net profit for the period	-	-	-	-	677,593	677,593
Total comprehensive income	**-**	**-**	**-**	**-**	**677,593**	**677,593**
Balance at 31 December 2023	**1,951,510**	**(34,100)**	**(105,950)**	**(14,382)**	**151,382**	**1,948,460**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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Statement of Cash Flows

for the year ended 31 December 2023

	Note	Dec 2023 $'000	Dec 2022 $'000
Operating activities			
Interest received		37,180	25,652
Borrowing costs paid		(189,919)	(160,452)
Payments for foreign exchange contracts		(16,871)	(23,757)
Payments for commodity hedging		(6,747)	(160,338)
Net JV receipts		48,254	(34,035)
Net cash used in operating activities	5(a)	**(128,103)**	**(352,930)**
Financing activities			
Drawdown of borrowings		1,292,724	800,000
Repayment of borrowings		-	(2,077,000)
Receipts from related entities		562,277	1,356,120
Payments to related entities		(2,233,256)	(391,512)
Net cash used in financing activities	5(b)	**(378,255)**	**(312,392)**
Net decrease in cash and cash equivalents		**(506,358)**	**(665,322)**
Cash and cash equivalents at the beginning of the year		1,218,434	1,901,144
Effect of movements in exchange rates on cash held in foreign currencies		(2,191)	(17,388)
Cash and cash equivalents at the end of the year	5	**709,885**	**1,218,434**

Notes to the Financial Statements

for the year ended 31 December 2023

Note 1 Accounting policies

Note 1.1 Corporate Information

The financial report ("Financial Report") for Santos Finance Ltd ("the Company") for the year ended 31 December 2023 was authorised for issue in accordance with a resolution of the Directors on 28 March 2024.

Santos Finance Ltd is a company limited by shares, incorporated and domiciled in Australia. The immediate and ultimate parent of the Company is entity is Santos Limited, incorporated in Australia and listed on the Australian Securities Exchange (ASX).

The Company is a for-profit entity for the purpose of preparing the financial statements.

The Company's registered office is:

Ground Floor Santos Centre,

60 Flinders Street,

Adelaide, SA, 5000

Note 1.2 Accounting policies

Note 1.2.1 Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Note 1.2.2 Basis of preparation

This financial report has been prepared:

- on a historical cost basis, except for derivative financial instruments which are measured at fair value;
- using a presentation currency of United States dollars ("US$"); and
- rounded to the nearest thousand dollars, unless otherwise stated, in accordance with the *ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/91.*

Note 1.2.3 Going concern

Santos Limited and its wholly-owned subsidiaries ("the Santos Group" or "the Group") have planned to fund the ongoing activities of the Company through twelve months from the date of signing the financial statements. Santos Limited has the financial capacity to finance the activities of the Company through existing inter-company loan arrangements if necessary. Accordingly, the Company should be able to pay its debts as and when they fall due in the normal conduct of its business activities.

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of business.

Note 1.2.4 Changes in accounting policies

(a) Changes in accounting policies and disclosures

The Company applied the following amendment to accounting standards applicable for the first time for the financial year beginning 1 January 2023:

- AASB 2021-5 Amendments to *AASB 112 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

These amendments have not had a significant or immediate impact on the Company's financial statements.

- AASB 2023-2 *Amendments to AASB 112 – International Tax Reform – Pillar Two Model Rules*

At 31 December 2023, the Company has adopted amendments to IAS 12 issued by the IASB and AASB on 23 May 2023 and 27 June 2023, respectively, in relation to the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two income tax. The amendments introduced a temporary exception to the requirements of IAS 12 under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the proposed Pillar Two model rules.

(b) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning on or after 1 January 2024 and have not been applied in preparing these financial statements. The Company's assessment of the impact of these new standards, amendments to standards and interpretations is set out below.

(i) Amendments to AASB 101 – *Classification of Liabilities as Current or Non-current*	
Description	The amendments clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what it means when it refers to the "settlement" of a liability.
Impact on financial report	Management do not expect there to be a material impact on the Company's results or disclosures.
Application of standard	1 January 2024 (Applied retrospectively)

Several other amendments to standards and interpretations will apply on or after 1 January 2024, and have not yet been applied, however they are not expected to impact the Company's annual financial statements.

(c) Australian sustainability reporting standards

In October 2023, the Australian Accounting Standards Board (AASB) released the exposure draft (ED), *ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information,* for disclosure of climate-related information.

ED SR1 includes three proposed Australian Sustainability Reporting Standards (ASRS Standards) that are aligned internationally to the IFRS Sustainability Disclosure Standards:

- ASRS 1 *General Requirements for Disclosure of Climate-related Financial Information*
- ASRS 2 *Climate-related Financial Disclosures*
- ASRS 101 *References in Australian Sustainability Reporting Standards*

In January 2024, the Australian Treasury released its Final Policy position for climate-related disclosures, including Exposure Draft legislation and accompanying explanatory materials. This confirms the pathway to mandatory reporting of climate-related financial disclosures subject to the passage of legislation through Parliament. While the standards are still draft and are not mandatory for compliance with Australian Accounting Standards, the Company is monitoring the development of the standards.

Notes to the Financial Statements

for the year ended 31 December 2023

Note 1.2.5 Summary of accounting policies

(a) Foreign currency

Both the functional and presentation currency of the Company is United States Dollars.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rate ruling at the reporting date. Foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(b) Financial instruments

Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to changes in foreign exchange rates, commodity prices and interest rates arising in the normal course of business. The principal derivatives that may be used are forward foreign exchange contracts, foreign currency swaps, interest rate swaps and crude oil price swap and option contracts. Their use is subject to a comprehensive set of policies, procedures and limits approved by the Board of Directors. The Company does not trade in derivative financial instruments for speculative purposes.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged; otherwise the gain or loss on re-measurement to fair value is recognised immediately in the income statement.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contracts are not measured at fair value with changes in fair value recognised in the income statement. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead the hybrid financial instrument as a whole is assessed for classification.

(c) Hedging

The Company's accounting policy for fair value and cash flow hedges are as follows:

Notes to the Financial Statements

for the year ended 31 December 2023

Types of hedges	Fair value hedges	Cash flow hedges
What is it?	A derivative or financial instrument designated as hedging the change in fair value of a recognised asset or liability.	A derivative or financial instrument designated to hedge the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or forecast transaction.
Recognition date	At the date the instrument is designated as a hedging instrument.	At the date the instrument is designated as a hedging instrument.
Measurement	Measured at fair value.	Measured at fair value.
Changes in fair value	The gains or losses on both the derivative or financial instrument and hedged asset or liability attributable to the hedged risk are recognised in the income statement immediately. The gain or loss relating to the effective portion of interest rate swaps hedging fixed-rate borrowings is recognised in the income statement within finance costs, together with the loss or gain in the fair value of the hedged fixed-rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the income statement within other income or other expenses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to the income statement over the period to maturity using a recalculated effective interest rate. Movements in fair value of liabilities designated at FVTPL due to changes in the Company's own credit risk are recorded in the own credit reserve through OCI and do not get recycled to the income statement.	Changes in the fair value of derivatives designated as cash flow hedges are recognised directly in other comprehensive income and accumulated in equity in the hedging reserve to the extent that the hedge is effective. Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of foreign currency purchases this may arise if the timing of the transaction changes from what was originally estimated. To the extent that the hedge is ineffective, changes in fair value are recognised immediately in the income statement within other income or other expenses. Amounts accumulated in equity are transferred to the income statement or the statement of financial position, for a non-financial asset, at the same time as the hedged item is recognised. When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the underlying forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness.

Hedge of monetary assets and liabilities

When a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the income statement.

(d) Receivables

Receivables are initially recognised at fair value. Subsequent measurement is determined through consideration of the business model for managing the receivable and its contractual cash flow characteristics. Receivables are subsequently measured at amortised cost if they are held within a business model where the objective is to collect contractual cashflows which are solely payments of principal and interest (SPPI).

Other financial assets, being intercompany receivables, are classified as amortised cost and are assessed for impairment at each reporting date using the expected credit loss model as prescribed by AASB 9. The Company initially assesses the receivables using the 12-month expected credit loss model, however when certain criteria are met, the Company assesses the receivables under the lifetime expected credit loss model.

The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either:

- over the following twelve months; or
- over the expected life of a receivable depending on credit deterioration from inception.

The carrying amount of the receivable is reduced through the use of an allowance account. Changes in the allowance account are recognised in the income statement.

The impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 - Where there has not been a significant increase in credit risk (SIR) since initial recognition of a receivable, an amount equal to 12 months expected credit loss is recorded.
- Stage 2 - When a financial asset experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial asset.
- Stage 3 - Financial assets that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and generally have an original maturity of three months or less.

(f) Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, an asset's estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash flows that are largely independent from other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed if there has been an increase in the estimated recoverable amount of a previously impaired asset. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Notes to the Financial Statements

for the year ended 31 December 2023

(g) Interest-bearing loans and borrowings

Interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Fixed rate notes that are hedged by an interest rate swap are recognised at fair value.

(h) Trade and other payables

Trade and other payables are recognised when the related goods or services are received, at the amount of cash or cash equivalent that will be required to discharge the obligation, gross of any settlement discount offered. Trade payables are non-interest bearing and are settled on normal terms and conditions.

(i) Share capital

Ordinary share capital

Ordinary share capital is classified as equity.

Dividends

Dividends are recognised as a liability at the time the Directors resolve to pay or declare the dividend.

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(j) Interest income

Interest income is recognised in the income statement as it accrues, using the effective interest rate method.

(k) Finance costs

Finance costs comprise interest paid or payable on borrowings calculated using the effective interest rate method. Finance costs are recognised in the income statement in the period in which they are incurred.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(m) Taxation

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the amount of income tax payable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the appropriate tax bases. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither, accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Santos Limited is the head entity in the tax-consolidated group, under Australian taxation law, of which Santos Finance Ltd is a member. Current tax expense/income, deferred tax liabilities, and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are allocated among the members of the tax-consolidated group using a "stand-alone taxpayer" approach in accordance with Interpretation 1052 Tax Consolidation Accounting and are recognised in the separate financial statements of each entity. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by Santos Limited (as head entity in the tax-consolidated group).

Santos Limited and the other entities in the tax-consolidated group have entered into a tax funding agreement. Tax contribution amounts payable under the tax funding agreement are recognised as payable or receivable from Santos Limited and each member of the tax-consolidated group. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period under the tax funding agreement is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period assumed by Santos Limited, the difference is recognised as a contribution to (or distribution from) Santos Limited.

Santos Limited and the other entities in the tax-consolidated group have also entered into a tax sharing agreement pursuant to which the other entities may be required to contribute to the tax liabilities of Santos Limited in the event of default by Santos Limited or upon leaving the tax-consolidated group.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

International Tax Reform – Pillar Two Model Rules

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) published the Pillar Two model rules to address the tax challenges arising from the digitalisation of the global economy in December 2021. Specifically, the BEPS Pillar Two model rules are designed to ensure large multinational enterprises pay a minimum level of tax on the income arising in each of the jurisdictions in which they operate, imposing an additional tax on profits where the effective tax rate in that jurisdiction falls below the minimum rate of 15 per cent.

Santos Limited (the Group), which includes the Company, is a large multinational enterprise, and is subject to the BEPS Pillar Two rules in both the United Kingdom and Japan, being the only jurisdictions in which the Group operates that have substantially enacted legislation to give effect to the model rules as of 31 December 2023. The rules will apply to the Group from 1 January 2024 in the United Kingdom, and from 1 January 2025 in Japan. Based on current information available, the Group does not expect the application of the rules to have a material current tax impact on the Group's financial position.

The Group also expects to be subject to the BEPS Pillar Two rules that are likely to be effective in Australia from 1 January 2024. However, enacting legislation has not been introduced and there is not sufficient information available for the Group to assess the impact, if any, of the application of the rules.

The Group has applied the temporary mandatory relief under AASB 2023-2 from deferred tax accounting for the impacts of the additional tax at 31 December 2023.

Note 1.2.6 Critical accounting estimates & judgements

Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on management's judgement regarding estimates and assumptions of future events. The reasonableness of estimates and underlying assumptions is reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next annual reporting period are:

Impairment of receivables from related entities

The Company assesses whether receivables from related entities are impaired on an annual basis. This requires an estimation of the expected credit loss impairment using a model that reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a receivable depending on credit deterioration from inception. The carrying amount of the receivables from related entities is disclosed in note 14.

Financial reporting impacts of climate change and sustainability matters

In preparing the Financial Report, management has considered the impact of climate change and current climate-related legislation. The potential impacts of climate change and sustainability-related matters have been considered in the significant judgements and key estimates in relation to the recoverability of related party receivables.

The energy transition is expected to bring volatility in commodity prices. This may result in scenarios of lower prices through demand destruction and, conversely, structurally higher commodity prices through demand and supply dynamics. In accordance with IFRS, these financial statements are based on reasonable and supportable assumptions that represents the Company's current best estimate of the range of economic conditions that may exist in the foreseeable future. The Company has considered the Australian Government's emissions reduction target legislated in September 2022 and the amendments to the Safeguard Mechanism which have come into force mid-2023.

The assessment of recoverability of a related party receivable considers climate and sustainability-related matters in relation to the following areas of the related party financial position:

- asset carrying values (exploration and evaluation assets, oil and gas assets) through determination of valuations considered for impairment
- restoration obligations, including the timing of such activities
- deferred taxes, primarily related to asset carrying values and restoration obligations.

The Santos Group, which includes the Company, continues to monitor climate-related policy and its impact on this Financial Report.

Note 2 Segment information

The Company is a wholly-owned subsidiary of Santos Limited. The sole business of the Company is to raise debt to fund Santos Limited and its consolidated entities (the "Santos Limited Group") to fund their investment programmes and to manage cash generated from the Santos Limited Group operations.

During the year interest income of $1,324,842,000 (2022: $865,504,000) was generated from one major related party customer, Santos Limited and its controlled entities. The Company's interest revenue is generated solely from loans receivable and cash balances originated within Australia.

Notes to the Financial Statements

for the year ended 31 December 2023

	Dec 2023 $'000	Dec 2022 $'000
Interest income:		
Related entities	1,324,842	865,504
Other entities	29,561	25,652
Finance income	**1,354,403**	**891,156**
Interest expense:		
Related entities	(472,042)	(136,453)
Other entities	(157,428)	(163,766)
Finance costs	**(629,470)**	**(300,219)**
Net finance income	**724,933**	**590,937**

Note 3 Net gain/(loss) on financial instruments at FVTPL

	Dec 2023 $'000	Dec 2022 $'000
Gain/(loss) from changes in fair value of commodity derivatives	88,655	(87,272)
Gain from changes in fair value of foreign exchange contracts	16,871	2,117
Loss from changes in fair value of borrowings held at FVTPL	-	(2,245)
Gain from changes in fair value of interest rate swap contracts	-	3,280
Total net gain/(loss) on financial instruments at FVTPL	**105,526**	**(84,120)**

Santos

Santos Finance Ltd
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Notes to the Financial Statements

for the year ended 31 December 2023

Note 4 Income tax

	Dec 2023 $'000	Dec 2022 $'000
(a) Income tax expense		
Current tax expense		
Current year	210,864	111,716
Changes in estimates related to prior years	58	(29,643)
	210,922	**82,073**
Deferred tax expense		
Origination and reversal of temporary differences	37,558	54,967
	37,558	**54,967**
Tax expense on continuing operations	**248,480**	**137,040**

(b) Reconciliation of effective tax rate	Dec 2023 $'000	Dec 2022 $'000
Profit before tax	**926,073**	**464,446**
Prima facie income tax at 30% (2022: 30%)	277,822	139,334
Tax effect of:		
- Impairment expense/(write back)	(29,342)	7,462
- Non-assessable income	-	(3,502)
- Changes in estimates related to prior years	-	(6,254)
Income tax expense on continuing operations	**248,480**	**137,040**

Notes to the Financial Statements

for the year ended 31 December 2023

(c) Movement in deferred tax balances

	Net balance at 1 Jan $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Net balance at 31 Dec $'000	Deferred tax assets $'000	Deferred tax liabilities $'000
2023						
Derivatives	(1,975)	(37,969)	-	(39,944)	-	(39,944)
Loans and borrowings	25,595	460	-	26,055	26,055	-
Other items	49	(49)	-	-	-	-
Tax assets/ (liabilities) before set-off	**23,669**	**(37,558)**	**-**	**(13,889)**	**26,055**	**(39,944)**
Set-off of tax	-	-	-	-	(26,055)	26,055
Net tax assets/ (liabilities)	**23,669**	**(37,558)**	**-**	**(13,889)**	**-**	**(13,889)**
2022						
Derivatives	33,670	(35,645)	-	(1,975)	-	(1,975)
Loans and borrowings	45,585	(19,990)	-	25,595	25,595	-
Other items	(619)	668	-	49	49	-
Tax assets/ (liabilities) before set off	**78,636**	**(54,967)**	**-**	**23,669**	**25,644**	**(1,975)**
Set-off of tax	-	-	-	-	(1,975)	1,975
Net tax assets/ (liabilities)	**78,636**	**(54,967)**	**-**	**23,669**	**23,669**	**-**

The calculation of the Company's tax charge involves a degree of estimation and judgement in respect of certain items for which the ultimate tax determination is uncertain.

The Company recognises deferred tax assets only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised within the tax consolidated group, based on the forecast of future taxable profits in the group. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements

for the year ended 31 December 2023

Note 5 Cash and cash equivalents

	Dec 2023 $'000	Dec 2022 $'000
Cash at bank and on hand	709,885	368,434
Short-term deposits	-	850,000
	709,885	**1,218,434**

(a) Reconciliation of cash flows from operating activities

	Dec 2023 $'000	Dec 2022 $'000
Net profit after income tax	**677,593**	**327,406**
Add/(deduct) non-cash items:		
Impairment (reversal)/loss on related party receivables	(97,805)	24,873
Foreign exchange (losses)/gains	2,191	(6,369)
Net borrowing income charged to related entities	(902,042)	(735,078)
Net gain on fair value derivatives	(129,144)	(76,218)
Amortisation of prepaid loan transaction costs	4,265	13,269
Other	(2,505)	-
Net cash used in operating activities before change in assets or liabilities	**(447,447)**	**(452,117)**
Add/(deduct) change in operating assets or liabilities:		
Decrease/(Increase) in trade and other receivables	5,464	(1,809)
Income tax payable/(refundable) allocated to Santos Limited under tax funding agreement	210,922	82,073
Decrease/(increase) in deferred tax asset	23,669	54,967
Increase/(decrease) in other payables	17,146	(2,009)
Inrcease/(decrease) in net JV receivables	48,254	(34,035)
Increase/(decrease) in deferred tax liabilities	13,889	-
Net cash used in operating activities	**(128,103)**	**(352,930)**

Notes to the Financial Statements

for the year ended 31 December 2023

(b) Reconciliation of liabilities arising from financing activities to financing cash flows

	Short-term borrowings	Long-term borrowings	Loan assets	Assets held to hedge borrowings	Total
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2023	1,396,849	12,684,460	(14,092,588)	-	(11,279)
Financing cash flows[1]:					
Financing cash flows - external	-	1,292,724	-	-	1,292,724
Financing cash flows - related parties	562,277	(1,486,743)	(746,513)	-	(1,670,979)
Non-cash changes:					
Non-cash related party movements	-	(3,868,698)	3,868,698	-	-
Other changes[2]	-	780,196	(1,416,037)	-	(635,841)
Balance as at 31 December 2023	**1,959,126**	**9,401,939**	**(12,386,440)**	**-**	**(1,025,375)**
Balance as at 1 January 2022	1,077,490	13,301,297	(13,453,778)	(10,637)	914,372
Financing cash flows[1]:					
Financing cash flows - external	(212,000)	(1,065,000)	-	-	(1,277,000)
Financing cash flows - related parties	539,367	223,419	201,822	-	964,608
Non-cash changes:					
Changes in fair values	(8,008)	(3,405)	-	10,637	(776)
Other changes[2]	-	228,149	(840,632)	-	(612,483)
Balance as at 31 December 2022	**1,396,849**	**12,684,460**	**(14,092,588)**	**-**	**(11,279)**

1. In the Statement of Cash Flows, cash flows from financing activities includes receipts and payments associated with amounts owing from related entities, drawdown and repayment of borrowings.
2. Other changes include amortisation of prepayments1 and non- cash movements from rationalisation of intercompany loans.

Note 6 Other receivables

	Dec 2023	Dec 2022
	$'000	$'000
Other receivables	464	5,928
	464	**5,928**

Notes to the Financial Statements

for the year ended 31 December 2023

Note 7 Other financial assets

	Dec 2023 $'000	Dec 2022 $'000
Current		
Amounts owing from related entities	699,462	363,233
Deposit	152,582	55,536
Foreign exchange contracts	44,292	9,731
Commodity derivative contracts	88,664	-
JV receivables	13,460	34,034
	998,460	**462,534**
Non-current		
Amounts owing from related entities	11,686,978	13,729,353
	11,686,978	**13,729,353**

Note 8 Other payables

	Dec 2023 $'000	Dec 2022 $'000
Current		
Other payables	47,876	30,730
	47,876	**30,730**

Note 9 Other financial liabilities

	Dec 2023 $'000	Dec 2022 $'000
Amounts owing to related entities	1,959,126	1,396,849
Commodity derivatives	-	5,918
Sundry liability	-	55,536
JV payables	27,680	-
Total Other financial liabilities	**1,986,806**	**1,458,303**

Notes to the Financial Statements

for the year ended 31 December 2023

Note 10 Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings.

	Dec 2023 $'000	Dec 2022 $'000
Non-current		
Loans payable to related entities	5,723,546	10,301,797
Bank loans - unsecured	450,000	-
Long-term notes	3,228,393	2,382,663
Total non-current	**9,401,939**	**12,684,460**

The Company's weighted average interest rate on interest-bearing liabilities was 5.43% as at 31 December 2023 (2022: 2.39%).

All interest-bearing loans and borrowings are unsecured and guaranteed by Santos Limited.

Details of major credit facilities

(a) Bank loans - unsecured

Syndicated and bilateral bank loans

Year at maturity	Currency	Dec 2023 Effective interest rate	Dec 2022 Effective interest rate	Dec 2023 $'000	Dec 2022 $'000
2023 and 2028	USD	6.99%	-	450,000	-

Syndicated and bilateral bank loans bear a floating interest rate. The facility limit is $3,065,000,000 (2022: $3,115,000,000).

(b) Long-term notes

Regulation-S Bonds

The Company has the following notes on issue:

Year of maturity	Currency	Dec 2023 Effective interest rate	Dec 2022 Effective interest rate	Dec 2023 $'000	Dec 2022 $'000
2027 and 2029	USD	4.74%	4.76%	1,388,942	1,386,527

Both bonds bear a fixed interest rate. The principal drawn at 31 December 2023 is $1,400,000,000 (2022: $1,400,000,000).

Notes to the Financial Statements

for the year ended 31 December 2023

Rule 144A/Regulation-S bond

The Company has the following notes on issue:

Year of maturity	Currency	Dec 2023 Effective interest rate	Dec 2022 Effective interest rate	Dec 2023 $'000	Dec 2022 $'000
2031 and 2033	USD	5.20%	3.69%	1,839,451	996,137

During the year, the Group completed a US$850 million Rule 144A/Regulation-S bond issuance maturing 2033 at a fixed coupon of 6.875%. The bonds are unsecured and bear a fixed interest rate. The principal drawn at 31 December 2023 is $1,850,000,000 (2022: $1,000,000,000).

Note 11 Issued capital and reserves

Issued capital

	Dec 2023 Number of shares	Dec 2022 Number of shares	Dec 2023 $'000	Dec 2022 $'000
Issued capital balance	**2,334,470,555**	2,334,470,555	**1,951,510**	1,951,510

As at 31 December 2023, Santos Finance Limited had 2,334,470,555 fully paid ordinary shares on issue (2022: 2,334,470,555).

During the year no shares were issued (2022: Nil).

Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern allowing returns to shareholders and benefits for other stakeholders to be maintained and to retain an efficient capital structure. In order to optimise the capital structure, the Company may adjust dividend distribution policy, draw or repay debt or undertake other corporate initiatives consistent with its strategic objectives.

The Company aims to minimise the weighted average cost of capital whilst retaining appropriate financial flexibility and ensure ongoing access to a range of debt and equity markets in order to meet the Santos Ltd Group objectives.

Nature and purpose of reserves

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Own credit risk reserve

The own credit risk revaluation reserve comprises the cumulative changes in the fair value of the financial liabilities designated as part of a fair value hedge relationship which is attributable to changes in the Company's own credit risk.

Other reserves

Other reserves represent capital distributions arising from the difference between the fair value of non-interest-bearing intercompany loans with Santos Ltd Group subsidiaries and the principal amount of those loans.

Note 12 Dividends

No dividends have been paid or declared during the financial year and no dividends have been proposed or declared by the Directors after the reporting date.

Note 13 Financial risk management

Exposure to foreign currency risk, interest rate risk, commodity price risk, credit risk, and liquidity risk arises in the normal course of the Company's and the Santos Limited Group's business. The Company's overall financial risk management strategy is to seek to ensure that the Company is able to fund its corporate objectives and meet its obligations to stakeholders. Derivative financial instruments may be used to hedge exposure to fluctuations in foreign exchange rates, interest rates and commodity prices.

The Company uses various methods to measure the types of financial risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, interest rate and commodity price risk, and ageing and credit rating concentration analysis for credit risk.

Financial risk management is carried out by a central treasury department ("Treasury") which operates under the Santos Ltd Board-approved policies. The policies govern the framework and principles for overall-risk management for the Santos Ltd Group and covers specific financial risks, such as foreign exchange risk, interest rate risk and credit risk, approved derivative and non-derivative financial instruments, and liquidity management.

(a) Foreign currency risk

Foreign exchange risk arises from commercial transactions and valuations in assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Company is exposed to foreign currency risk principally through foreign currency borrowings. In order to economically hedge foreign currency risk, the Company from time to time may enter into forward foreign exchange, foreign currency swap and foreign currency option contracts. Forward exchange contracts in place as of 31 December were procured to hedge the foreign currency capital and operating expenditure for the Santos Ltd Group.

At 31 December 2023, the Group had open forward foreign exchange contracts to buy A$1.3 billion and sell US$ (2022: A$207 million).

Sensitivity to foreign currency movement

Based on the Company's net financial assets and liabilities as at 31 December 2023, the estimated impact of a ±15 cent movement in the Australian dollar exchange rate (2022: ±15 cent) against the US dollar, with all other variables held constant is $132,300,000 (2022: $21,747,165) on post-tax profit.

(b) Market risk

Interest rate risk

The Company's interest rate risk arises from its loans and borrowings and cash held. Loans and borrowings issued at variable rates expose the Company to cash flow interest rate risk. Loans and borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company has adopted the Santos Ltd Group policy of maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts. Hedging is evaluated regularly to align with the Group policy, interest rate outlook and risk appetite, ensuring the most cost-effective hedging strategies are applied. Interest rate swaps in place in 2022 were cancelled.

Sensitivity to interest rate movement

Based on the net debt position as at 31 December 2023, it is estimated that if the US secured overnight financing rate (SOFR) changed by ±0.50% (2022: ±0.50%), with all other variables held constant, the impact on post tax profit is $19,962,413 (2022: $4,265,000).

This assumes that the change in interest rates is effective from the beginning of the financial year and the net debt position and fixed/floating mix is constant over the year. However, interest rates and the debt profile of the Company are unlikely to remain constant and therefore the above sensitivity analysis will be subject to change.

Commodity price risk exposure

The Santos Ltd Group is exposed to commodity price fluctuations through the sale of petroleum products and other oil price-linked contracts. The Company may enter into Brent crude oil price swap and option contracts to manage the Santos Ltd Group's commodity price risk. Hedging is evaluated regularly to align with the Santos Ltd Group's policy, pricing outlook and risk appetite, ensuring the most cost-effective hedging strategies are applied. As at 31 December 2023, the Company had 18 million barrels of open Brent crude oil price zero cost collar option contracts (2022: Nil).

(c) Credit risk

Credit risk represents the potential financial loss if counterparties fail to complete their obligations under financial instrument or customer contracts. The Company employs credit policies which include monitoring exposure to credit risk on an ongoing basis through management of concentration risk and ageing analysis. Management follows Board-approved credit policies and the exposure to credit risk is monitored on an ongoing basis.

The Company considers the probability of default upon initial recognition of the asset and whether there has been a significant depreciation in credit quality on an ongoing basis throughout each reporting period. A significant decrease in credit quality is defined as a debtor being greater than 30 days past due in making a contractual payment. The Company applies the general approach to providing for expected credit losses prescribed by AASB 9, as outlined in Note 1 D.

A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorises a loan or receivable for write-off when a debtor fails to make contractual repayments greater than 120 days past due. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the income statement.

The Company controls credit risk by setting minimum creditworthiness requirements for counterparties which, for banks and financial institutions, are based upon their long-term credit rating.

At the reporting date there were no significant concentrations of credit risk within the Company and financial instruments are spread amongst a number of financial institutions in order to minimise the risk of counterparty default.

The maximum exposure to financial institution credit risk is represented by the sum of all cash deposits plus accrued interest, bank account balances and fair value of derivative assets. The Santos Ltd Group's counterparty credit policy limits this exposure to commercial and investment banks, according to approved credit limits based on the counterparty's credit rating. The minimum credit rating is A- from Standard & Poor's, subject to approved exceptions.

All non-current loans extended to Santos Group's subsidiaries have a term to maturity greater than 12 months with none repayable on demand. The Santos Ltd Group entities are not considered low credit risk since none hold external investment grade credit ratings, the benefit from credit enhancements and adverse changes in economic and business conditions in the longer term may reduce the ability of the borrower to fulfil its obligations. Management has considered the impact of factors such as commodity price, foreign exchange and interest rate fluctuations on the future cash flows of each entity and has determined that credit risk has increased since the origination of the loan.

The Company measures expected credit losses for Stage 2 and Stage 3 loans from related entities using projected cash flows within each entity. This assessment considers factors similar to the indicators of impairment for exploration and evaluation assets, and oil and gas assets, used by the Group as they impact the projected cash flows within each entity. These projected net cash flows are compared against the principal and interest payments owed to the Company by the related entity in order to estimate the credit loss allowance provision.

During the year ended 31 December 2023, a net impairment reversal of $97,805,000 was recognised (2022: $24,873,000 net loss) on receivables from related entities.

Notes to the Financial Statements

for the year ended 31 December 2023

(d) Liquidity risk

The Company adopts a prudent liquidity risk management strategy in line with the Santos Ltd Group's Board-approved policy. It seeks to maintain sufficient liquid assets and available committed credit facilities to meet short-term to medium-term liquidity requirements of the Santos Limited Group. The Company's objective is to maintain flexibility in funding to meet ongoing operational requirements, exploration and development expenditure, and other corporate activities of the Santos Limited Group.

The following table analyses the contractual maturities of the Company's financial liabilities, and financial assets held to manage liquidity risk. The relevant maturity groupings are based on the remaining period to the contractual maturity date, at the reporting date. The contractual maturity of related entity payables will differ from actual payment dates which are managed centrally by Santos Limited Group in accordance with the funding strategy referred to in Note 1.2.3. The amounts disclosed in the table are the contractual undiscounted cash flows comprising principal and interest repayments.

	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000
2023				
Financial assets held to manage liquidity risk				
Cash	709,885	-	-	-
Amounts receivable from related entities	699,462	-	-	11,686,978
JV receivables	13,460	-	-	-
Derivative financial assets				
Other derivatives	132,956	-	-	-
	1,555,763	**-**	**-**	**11,686,978**
Non-derivative financial liabilities				
Trade and other payables	(47,876)	-	-	-
JV payables	(27,680)	-	-	-
Amounts payable to related entities	(1,959,126)	-	-	(5,723,546)
Bank loans	-	-	(452,300)	-
Long-term notes	(159,428)	(159,428)	(1,235,518)	(2,816,947)
	(2,166,430)	**(159,428)**	**(1,687,818)**	**(8,540,493)**
	(624,127)	**(159,428)**	**(1,687,818)**	**3,146,485**
2022				
Financial assets held to manage liquidity risk				
Cash	1,218,434	-	-	-
Amounts receivable from related entities	363,233	-	-	13,729,353
JV receivables	34,034	-	-	-
	1,615,701	**-**	**-**	**13,729,353**

Notes to the Financial Statements

for the year ended 31 December 2023

	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000
Non-derivative financial liabilities				
Trade and other payables	(30,730)	-	-	-
Amounts payable to related entities	(1,396,849)	-	-	(10,301,796)
Long-term notes	(100,990)	(100,990)	(1,093,206)	(1,759,267)
	(1,528,569)	**(100,990)**	**(1,093,206)**	**(12,061,063)**
	87,132	**(100,990)**	**(1,093,206)**	**1,668,290**

(e) Fair values

Fair value is the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability that is accessible by the Group.

The financial assets and liabilities of the Company are all initially recognised in the statement of financial position at their fair value in accordance with the accounting policies in note 1(c). The receivables, payables, interest bearing liabilities and other financial assets and liabilities which are not subsequently measured at fair value, are carried at amortised costs which approximates their fair value.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Derivatives

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms of maturity of each contract and using market interest rates for a similar instrument at the reporting date. The fair value of forward foreign exchange contracts is determined by discounting future cash flows using market interest rates and translating the amounts into US dollars using the spot rate at the reporting date. The fair value of Brent crude options is determined using an option pricing model, which takes into consideration the price of the option, the strike price, the time until expiration, implied volatility and a risk-free rate.

Financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Where these cash flows are in a foreign currency the present value is converted to US dollars at the foreign exchange spot rate prevailing at reporting date.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the years ended 31 December 2023 and 31 December 2022, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

All of the Company's financial instruments were valued using the Level 2 valuation technique.

(f) Financial instruments

The Company classifies its financial instruments in the following categories: financial assets at amortised cost, financial assets at fair value through profit or loss ("FVTPL"), financial assets at fair value through other comprehensive income ("FVOCI"), financial liabilities at amortised cost and derivative instruments. The classification depends on the purpose for which the financial assets were acquired, which is determined at initial recognition based upon the business model of the Company.

Financial assets at amortised cost

The Company classifies its financial assets at amortised cost if the asset is held with the objective of collecting contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. These include Amounts owing from related entities and bank term deposits. Bank term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are financial assets at amortised cost and are included in current assets, except for those with maturities greater than 12 months after the balance sheet date.

Derivative instruments

Derivative financial instruments entered into by the Company for the purpose of managing the Santos Ltd Group's exposures to changes in foreign exchange rates, commodity price and interest rates arising in the normal course of business qualify for hedge accounting. The principal derivatives that may be used are forward foreign exchange contracts, cross currency interest rate swaps and interest rate swaps. Their use is subject to a set of policies, procedures and limits approved by the Board of Directors. The Company does not trade in derivative financial instruments for speculative purposes.

The Company holds the following financial instruments:

	Dec 2023 $'000	Dec 2022 $'000
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents	709,885	1,218,434
Other receivables	464	5,928
Amounts owing from related parties	12,386,440	14,092,586
JV Receivables	13,460	34,034
Other	152,582	55,536
	13,262,831	**15,406,518**
Financial assets at FVTPL:		
Derivative financial instruments	132,956	9,731
	13,395,787	**15,416,249**

Notes to the Financial Statements

for the year ended 31 December 2023

	Dec 2023 $'000	Dec 2022 $'000
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	47,876	30,730
Borrowings at amortised cost	3,678,393	2,382,663
Amounts payable to related parties	7,682,672	11,698,646
JV payables	27,680	-
Other	-	55,536
	11,436,621	**14,167,575**
Financial liabilities at FVTPL:		
Derivative financial instruments	-	5,918
	11,436,621	**14,161,657**

The Company's financial instruments resulted in the following income, expenses, gains and losses recognised in the income statement:

	Dec 2023 $'000	Dec 2022 $'000
Interest on cash and cash equivalents	29,561	25,652
Interest on amounts owing from related entities	1,315,522	865,504
Interest on debt held at FVTPL	-	(14,880)
Interest on debt held at amortised cost	(157,428)	(285,340)
Fair value loss on debt held at FVTPL	-	(2,245)
Fair value gain/(loss) on derivative financial instruments	105,526	(81,875)
Net impairment reversal/(loss) on receivables from related entities	97,805	(24,873)
Net foreign exchange gain/(loss)	(2,191)	(17,388)
	1,388,795	**464,555**

The effects of applying hedge accounting on the Company's financial position and performance are as follows:

	Dec 2023 $'000	Dec 2022 $'000
Fair value hedge: Derivative financial instruments - interest rate swap contracts		
Carrying amount	-	-
Notional amount	-	-
Maturity date	-	-
Hedge ratio[1]	-	-
Change in value of outstanding hedging instruments since 1 January	-	(3,280)
Change in the value of hedged item used to determine hedge effectiveness	-	3,280
Weighted average hedge rate	-	-

1. The value of the derivative contract is the same as the value of the underlying instrument that is being hedged. Therefore, the hedge ratio is 1 :1.

	Dec 2023 $'000	Dec 2022 $'000
Reserves - Own credit revaluation reserve		
Opening balance	(14,382)	(14,123)
Add: Fair value changes on financial liabilities designated at fair value due to own credit risk	-	(259)
Closing Balance	**(14,382)**	**(14,382)**

(g) Interest Rate Benchmark Reform

The London Interbank Offered Rate (LIBOR) and other benchmark interest rates were replaced by an alternative risk-free rate (ARR) as part of interbank offer rate (IBOR) reform. USD LIBOR ceased to be published from 30 June 2023.

Notes to the Financial Statements

for the year ended 31 December 2023

Related party facilities that referenced an IBOR rate transitioned to SOFR during 2023. All other facilities transitioned to SOFR in 2022.

Note 13 Commitments

The Company had no capital expenditure commitments as at 31 December 2023 (2022: Nil).

Note 14 Related Parties

The parent entity and ultimate parent entity is Santos Limited, which is incorporated in Australia.

As at 31 December 2023, a credit loss allowance provision of $2,250,923,543 has been recorded (2022: $2,348,762,084) related to amounts owning from related parties. The changes to the provision during the year resulted in a net impairment gain of $97,805,038

(a) Loans to related parties	**Dec 2023 $'000**	**Dec 2022 $'000**
Other financial assets		
Loans from Santos limited	185,191	-
Amounts owing from other related entities	12,201,249	14,092,586
	12,386,440	**14,092,586**

The US dollar denominated loans bear interest at SOFR plus a margin of 3.50% payable annually.

(b) Loans from related parties	Dec 2023 $'000	Dec 2022 $'000
Other financial liabilities		
Amounts owing to other related parties	1,959,126	1,396,849
	1,959,126	**1,396,849**
Interest-bearing loans and borrowings		
Loan from Santos Limited	-	2,815,222
Loans from other related parties	5,723,546	7,486,575
	5,723,546	**10,301,797**
	7,682,672	**11,698,646**

Related entity loans are denominated in USD, bear interest at SOFR less a margin of 0.1% payable annually.

(c) Parent company guarantees

All interest-bearing borrowings and loans included in note 9, except for loans payable to related entities, are guaranteed by the Company's parent, Santos Limited.

(d) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Directors of the Company.

The names of the Directors in office at the date of this report are:

Kevin Gallagher

Guy Cowan

Keith Spence

Unless otherwise stated above, the Directors have held their office at all times since the beginning of the financial year. There were no other persons who acted as directors at any time during the financial year. The Company employs no permanent staff. No remuneration was paid to key management personnel during 2023 (2022: Nil).

Note 15 Contingencies

The Company had no contingent liabilities as at 31 December 2023 (31 December 2022: Nil).

Note 16 Auditors remuneration

Audit fees are borne by the ultimate parent entity, Santos Limited.

Note 17 Events subsequent to reporting date

There are no events subsequent to 31 December 2023 that are material and unusual in nature to significantly affect the operation of the Company, the results of the operations, or the state of affairs of the Company in subsequent financial years.

Santos

Santos Finance Ltd
ABN 81 002 799 537

Directors' Declaration

In the opinion of the Directors of Santos Finance Ltd (the "Company"):

(a) The Company is not publicly accountable;

(b) The financial statements and notes, as set out in these financial statements, are prepared in accordance with the basis of accounting described in Note 1, and other mandatory reporting requirements, so as to present fairly the financial position of the Company as at 31 December 2023 and its performance, as represented by the results of its operations for the financial year ended on that date; and

(c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

In respect of the year ended 31 December 2023 the Company has:

(a) Kept such accounting records as to correctly record and explain its transactions and financial position;

(b) Kept its accounting records so that a true and fair financial report of the Company can be prepared from time to time; and

(c) Kept its accounting records so that the financial report of the Company can be conveniently and properly audited or reviewed in accordance with the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.

K.T. Galloway

Director
Date: 28 March 2024

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Independent auditor's report to the members of Santos Finance Limited

Opinion

We have audited the financial report of Santos Finance Limited (the Company), which comprises the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of material accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company's financial position as at 31 December 2023 and of its financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Building a better working world

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Darryn Hall
Partner
Adelaide
28 March 2024