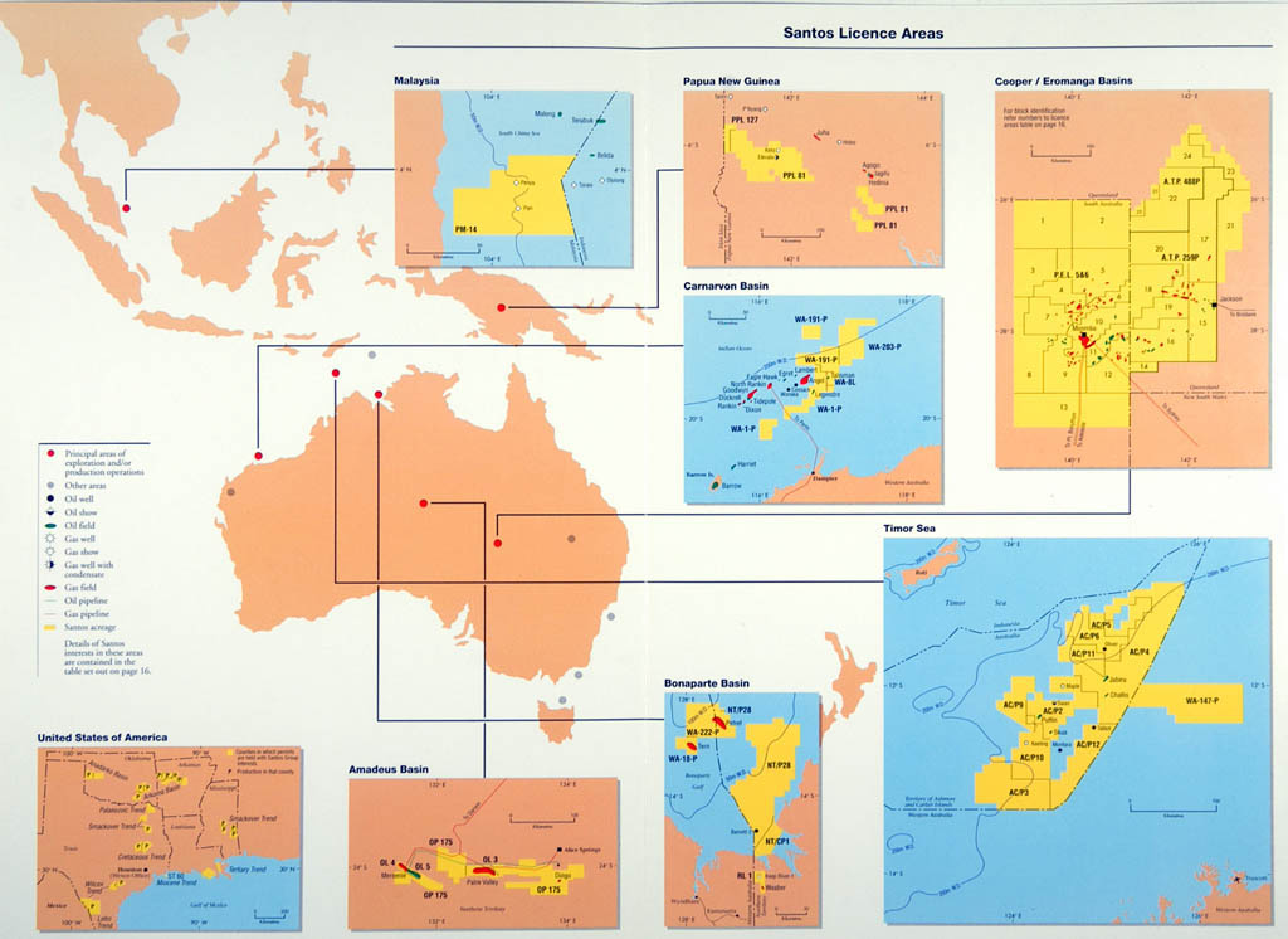
Santos

Santos Ltd 1990 Annual Report

Santos Licence Areas



Santos Ltd 1990 Annual Report

A.C.N. 007 550 923

Directors

S.D.M. Wallis (Chairman)
W.F. Scammell (Deputy Chairman)
N.R. Adler (Managing Director)
E.A. Burton
S. Gerlach
J.J. Kennedy
R.C.H. Mason**
K.W. Peterson
Robert Strauss
N.R. Clark (appointed Oct. 1990)
M.R.G. Johnson (resigned May 1990)
** Appointed by Sangas Development Ltd - holder of the B Class shares

Secretaries

D. Partington
M.G. Roberts

Emeritus Director

John L. Bonython AO

Senior Management

N.R. Adler
(Managing Director)
J.D. Armstrong
(Executive General Manager, Exploration)
J.W. McArdle
(Executive General Manager, Operations)
J.B. FitzGerald
(Managing Director, Peko Oil Ltd and General Manager, Corporate Development)
R.J. Wortley
(General Manager, Accounting)
R.W. Branson
(General Manager, Production)
B.J. Lawrance
(General Manager, Marketing)
J.L. Craddock
(State Manager, Queensland)

Notice of Meeting

The Annual General Meeting of Santos Ltd will be held in the Hyatt Regency Ballroom, Hyatt Regency Adelaide, North Terrace, Adelaide, South Australia on Friday, 17 May 1991 at 11.00 a.m.

Shareholders' Enquiries

Enquiries from shareholders and other interested people should be directed to:
The Secretary
Santos Ltd
39 Grenfell Street
Adelaide
South Australia 5000

Contents

Santos' Activities

Santos is a major Australian energy company. Its principal interests are in petroleum production from:

> the Cooper/Eromanga Basins of Central Australia, where Santos is the majority owner and operator of production and distribution facilities;
> the Timor Sea and Carnarvon Basin, off Australia's north-west coastline;
> the Amadeus Basin in the Northern Territory of Australia;
> the USA, where interests are held in the Gulf Coast region.

Santos conducts active exploration programs in all of these areas as well as in frontier exploration areas in the Bonaparte Basin off Australia's northern coastline, in Papua New Guinea and in offshore Malaysia.

In addition, Santos is the major shareholder in QCT Resources Ltd, which has major interests in some of Australia's premier coking and steaming coal mines.

Santos employs approximately 1,550 people and its head office is in Adelaide, South Australia.

Santos is listed on the Australian and New Zealand Stock Exchanges and has American Depository Receipts quoted on the NASDAQ system in the USA.

Santos' Objectives

Santos seeks to maximise shareholder wealth by:

> increasing economically recoverable reserves of petroleum products through discovery, acquisition and development activities;
> operating production facilities as economically and efficiently as possible;
> developing new markets for the company's uncommitted gas reserves;
> maintaining a balanced portfolio of interests in Australia and internationally in mature, emerging and frontier petroleum provinces and vigorously exploring these holdings.

Santos is committed to conducting its business activities in a manner which takes full account of the company's responsibilities to the environments in which it operates and to the health and safety of its employees.

COVER:
> "CHALLIS VENTURE", TIMOR SEA, AUSTRALIA
> PETROLEUM EXPLORATION, CENTRAL AUSTRALIA
> MOOMBA OIL AND GAS PROCESSING FACILITY, SOUTH AUSTRALIA

Chairman's Foreword

Santos' operating profit after income tax, abnormal items and minorities for the 12 months ended 31 December 1990 was a record $156.0 million, an increase of 33.2% over the corresponding result in 1989 of $117.1 million. The 1990 profit was earned on record sales revenue of $709.5 million, a 26.6% increase on 1989 sales revenue of $560.6 million.

Santos maintains a strong focus on cash flow. In 1990, the company generated $488.5 million of after tax-cash flow, 88.4% higher than the corresponding 1989 figure. After allowing for dividends and capital investment in exploration and development, Santos' free cash flow for the year was $189.9 million. One of the most significant aspects of the company's 1990 financial performance was the strengthening of its balance sheet. Shareholders' funds increased by $256.4 million or 22.8% and the company's gross debt net of cash was reduced from $1116.1 million to $772.4 million over the year. At the end of 1990, the ratio of Santos' net debt to equity stood at 55.9% compared with 99.3% at the end of 1989. During 1990 Vamgas Ltd and Latec Investments Ltd, two majority-owned subsidiaries, each repaid a significant amount of debt.

S.D.M.WALLIS
CHAIRMAN

Interest on borrowings fell from $164.7 million in 1989 to $133.6 million in 1990 as a result of these initiatives and easing in Australian dollar interest rates.

Key factors in strengthening the balance sheet were the application of the company's free cash flow to debt retirement; a one-for-ten rights issue; sale of relatively minor producing interests and reserves in the United Kingdom; and introduction of a dividend re-investment scheme in April 1990. Further details on these factors are included in the Managing Director's review which follows.

Earnings per share before abnormal items rose 61.6%, from 20.3¢ in 1989 to 32.8¢ in 1990.

Return on shareholders' funds increased from 11.3% in 1989 to 12.0% in 1990.

The substantial improvement in earnings, revenue, cash flow and profitability was made possible by improved prices for liquid hydrocarbon products in the latter part of 1990 and an increase in liquids sales volumes.

Events leading up to, and following, Iraq's invasion of Kuwait in August 1990 resulted in increased US dollar prices for oil and other liquid hydrocarbons from August through to the end of the year. The improved prices for liquid products accounted for $117.7 million of the $148.9 million increase in 1990 sales revenue over 1989 sales revenue.

However, it is important to note that the company also increased production and sales volumes, particularly in the last quarter of 1990.

Sales of crude oil, condensate and LPG in 1990 rose to 16.4 million barrels of oil equivalent (BOE) from 15.5 million BOE in 1989, as a result of higher production levels. Liquids production in the last quarter of 1990 was 4.6 million BOE, a new record for the company and 276,000 BOE higher than the previous quarterly record.

While Santos was able to record a much stronger financial performance in 1990, results from the exploration programme were generally disappointing.

At year's end, Santos' reserves of oil and gas stood at 646.4 million BOE compared with 670.6 million BOE 12 months earlier. The most significant factor in this fall in reserves was crude oil, which was down from 76.7 million barrels at the end of 1989 to 60.9 million barrels at the end of 1990. The sale of North Sea oil reserves held by Peko Petroleum (UK) Ltd accounts for 9.2 million barrels of the 15.8 million barrel decline. The balance of the reduction in crude oil reserves is attributable to non-replacement of production and Santos' 2.4 million barrel share of a reduction in the oil reserves of the Challis field in the Timor Sea.

Further details on results of the 1990 exploration programme are set out in the Managing Director's review. These indicate that returns from the investment in oil exploration were particularly unsatisfactory, the most significant element being the absence of exploration success in the Timor Sea.

The appraisal well drilled at the Talbot oil field did not provide sufficient encouragement to allow development to proceed and the Timor Sea wildcat exploration programme failed to record any oil discoveries for the year. Nonetheless, there is ample geological evidence to suggest that the area, which is still at an immature stage of exploration, is prospective for oil discoveries.

Analysis of the wells drilled in the area to date has suggested that many of the targets drilled over the last four years of exploration in the area were invalid. This has been caused by some deficiencies in the quality of seismic data from this area, which is known to have difficult geology for oil exploration. Steps have been taken to improve this seismic acquisition with the aim of eliminating the exploration of invalid targets. These steps include the increased use of three-dimensional seismic surveys for prospect and field definition.

Santos is committed to a significant exploration programme in the Timor Sea during 1991. The exploration programme for this area beyond 1991 will be reviewed in the light of results during this year, as will the book value of investment in exploration to date in the Timor Sea.

Results from exploration in other areas, including Central Australia, were also mixed. Gas exploration in the South Australian section of the Cooper/Eromanga Basins was successful in adding a further two years cover of reserves for that State. There is a high degree of confidence that the target of establishing ten years forward cover will be reached during 1991.

Oil exploration in both the South Australian and Queensland sections of the Basins yielded some encouraging results, which will be followed up in 1991. A number of development projects were successful and made small, but profitable, additions to existing oil fields.

However, overall results from the year's oil exploration programme have provided further support for the view that the Cooper/Eromanga Basins are unlikely to deliver new oil reserves at a sufficient rate to replace all production.

In recent years, Santos has expanded its exploration interests in the search for continued growth of oil reserves and production. This process has included acquisition of interests in mature USA petroleum provinces; in newly emerging areas such as the Timor Sea and Carnarvon Basin off Australia's north west coast; and in frontier exploration acreage in Malaysia and Papua New Guinea. This policy of broadening the company's areas of exploration involvement will be continued in the belief that this provides the best prospects for generating a profitable return from investment in exploration.

The incentive to explore in offshore Australian areas has been assisted by the Federal Government's acceptance of the need to provide broader deductibility for exploration expenditure against the Petroleum Resources Rent Tax (PRRT) applying to all offshore petroleum areas, except the North West Shelf.

Santos made its first payments under PRRT in 1990 on revenue sourced from crude oil production from the Jabiru oil field. Continued application of the previous, narrow provision for deductibility of exploration expenditure would have required Santos to pay resources rent tax on production from Jabiru and Challis while its Timor Sea exploration expenditure outside of those projects remained unrecognised unless future oil discoveries were made and developed. Notwithstanding some outstanding issues and final drafting of the amending legislation, the Federal Government is to be commended on the more realistic position it has adopted in this area. However, the fundamental issue is still that of discrimination, as the Australian petroleum industry is forced to pay a secondary tax that is not applied to other industries.

In my address to last year's Annual General Meeting, I mentioned that the South Australian Government was seeking to increase significantly the level of royalties from operations in South Australia. After lengthy discussions between the Cooper Basin Producers and the State Government legislation has now been introduced to amend the method of calculating royalties, the effect of which is to increase royalties by approximately 50%. Some of this increase will be recovered from gas customers. However, the Government's requirement for increased royalties will make it even more difficult to maintain crude oil production from the Cooper/Eromanga Basins at the current level as less funds will be available for exploration.

The financial outlook for Santos in 1991 is subject to uncertainty surrounding future prices for crude oil and other liquid hydrocarbons. However, it is possible to be more certain about the outlook for production and sales volumes.

Crude oil sales in 1991 are forecast to be marginally below those of 1990, primarily because of a scheduled shut-in of production from the Jabiru field. The purpose of the shut-in is to allow routine dry-dock maintenance of the floating production, storage and offloading vessel.

The balance of the company's oil production in 1991 is expected to be maintained at the 1990 level.

Gas sales may also be marginally below 1990 due to a further small decrease in demand for Cooper Basin gas by the Electricity Authority of South Australia as a result of electricity interconnection.

Santos' USA subsidiary is expected to contribute increased production of oil and gas.

Production of gas liquids is expected to remain at about the levels of previous years.

Santos has demonstrated that it is able to operate profitably at low oil prices, such as those that prevailed generally throughout the world from 1986 through to mid-1990. The company's proven capacity to withstand deterioration in its business climate generally and low oil prices specifically has been improved further in 1990 by the strengthening of its balance sheet.

The medium-term outlook is for further growth. Notwithstanding the recent reduction in demand for Cooper Basin gas, demand over the medium term is expected to grow at modest rates and production of condensate and LPG should remain at current levels for the foreseeable future. Oil production from the area is in decline but is expected to remain at significant levels for some time yet.

In the Timor Sea, the Jabiru and Challis fields are forecast to continue producing at substantial levels for the next few years. In 1990, the decision was made to develop the Skua field, in which Santos holds a 30.6% interest. That field is expected to be brought into production towards the end of 1991.

The company is giving high priority to marketing uncommitted gas reserves in south-west Queensland and the Northern Territory in which it holds significant interests. An announcement on the development of the reserves of gas in the Queensland section of the Cooper/Eromanga Basins is expected in 1991.

Finally, any oil exploration success in the company's prospective offshore Australian and international acreage will further assist medium-term growth.

Two areas of particular interest are Malaysia and Papua New Guinea. A six-well drilling programme over two years is due to commence in April 1991 in the offshore Malaysia Permit PM14. In Papua New Guinea, the Ketu 1 well in permit PPL81 is expected to finish in April this year. The first well in this permit resulted in a liquids-rich gas discovery and the need for further exploration will be determined in the light of results from Ketu 1.

Directors have recommended a final dividend of 10.0 cents per share, fully franked. The interim dividend of 9.0 cents per share was fully franked, bringing total dividends for the year to 19.0 cents per share, fully franked. The recommended final dividend is to be paid on the capital base expanded by the one-for-ten rights issue in October 1990.

The payout represented by these dividends is a record $85.5 million compared with $76.0 million in 1989.

The Board of Directors remained unchanged in 1990, with the exception of the resignation of Mr Mark Johnson on 8 May 1990 and the subsequent appointment of Mr Neil R. (Nobby) Clark, to the Board on 2 October 1990.

During the course of the year, the Board has undertaken a review of the Company's Articles of Association. From the Notice of Meeting accompanying this report it will be noted that it is proposed to adopt new Articles of Association. The new Articles reflect recent, significant amendments to Companies' legislation in Australia; introduce greater flexibility consistent with provisions commonly adopted by listed corporations and give effect to an agreement made with the AGL Group in relation to its holding of B Class shares, which shares, over time, are to be re-classified as ordinary shares and to lose the special rights currently attaching to them. Further information on these matters is contained in the Explanatory Notes To Shareholders accompanying the Notice of Meeting.

The Managing Director's review, which follows, provides details on the company's financial position and its exploration, development, production and marketing activities in 1990.

However, this foreword would be incomplete without some specific mention of the past year's petroleum exploration and production activities in the Cooper/Eromanga Basins of Central Australia.

For almost half of 1990, Santos' Central Australian areas of operation were subject to extensive flooding. Oil trucking operations had to be suspended; completion of some liquids-rich gas producing wells was delayed; and the exploration programme was disrupted. The overall impact upon Santos was the deferral of approximately one million barrels of crude oil production and delays in LPG and condensate production.

In an effort to make up the lost ground, new production records were set in the final quarter and more than 300,000 barrels of the deferred oil production was recovered. By year's end, all of the well completions disrupted by flooding had been finished and brought into production, with the result that the company's condensate and LPG production for the full year were higher than in 1989.

These results are a tribute to the dedication and skill of Santos' employees. For the second consecutive year, these people, especially those in the field, coped with the formidable obstacles presented by floodwaters. Their efforts ensured that the company's record of increased production in each year since 1969 remained intact.

On behalf of the Board of Directors, I thank Santos' employees for their contributions in 1990 and wish them well for 1991.

Managing Director's Review

In 1990, Santos realised the benefits of the business strategy it has pursued since the worldwide collapse of crude oil prices at the end of 1985. From that time, Santos invested approximately $1.2 billion in acquiring production facilities, reserves and exploration acreage in both its traditional Central Australian area of operations and in new areas onshore and offshore Australia and internationally.

More than $400 million was invested in exploration over the same period. These investments resulted in Santos' remaining reserves of oil and gas increasing from 423.8 million barrels of oil equivalent at the end of 1985 to 670.6 million barrels at the end of 1989. This was achieved over a period in which Santos produced a total of 122.4 million barrels of oil equivalent. Overall, the investments made between 1986 and 1989 added a total of 369.2 million barrels of oil equivalent to reserves and production as well as exploration potential in a number of emerging petroleum provinces. The objectives of this planned expansion of the company's asset base were to ensure Santos maintained its high growth rates of previous years, and to position the company in areas highly prospective for oil discovery so that the impact on Santos of the expected decline in oil production from Central Australia would be more than offset by the addition of oil production from other areas.

N.R.ADLER
MANAGING DIRECTOR

N. R. Adler.

The past year has seen Santos' oil production reach a new record at a time in which worldwide prices for oil and other liquid hydrocarbons increased sharply.

Financial

Santos achieved total sales revenue in 1990 of $709.5 million, the highest yearly revenue in the company's history.

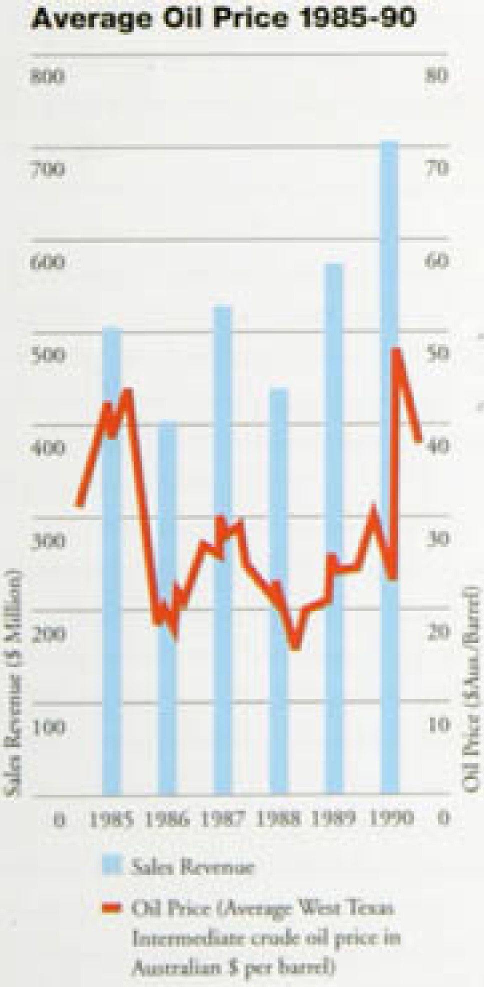
This performance reflects the combined effect of improved prices worldwide for liquid hydrocarbons from August through to year's end and an overall increase of 5.8% in sales volumes of liquid hydrocarbons.

Santos' average Australian dollar price for crude oil over 1990 was $30.71 per barrel compared with $23.45 per barrel in 1989 while average Australian dollar prices were $30.08 per barrel for condensate and $200.17 per tonne for LPG compared with $23.77 per barrel and $141.06 per tonne for condensate and LPG respectively in 1989. The price per gigajoule for sales of Cooper Basin gas increased again in 1990 in line with the formula agreed upon with customers for adjustment of prices on 30th June by 95% of the Consumer Price Index for the previous year. The average price for the company's sales gas over 1990 was $1.92 per gigajoule compared with $1.81 per gigajoule in 1989.

Total sales volumes for all products for the year were 36.0 millions of barrels of oil equivalent, a 1.7% increase on 1989 sales volumes of 35.4 million barrels of oil equivalent.

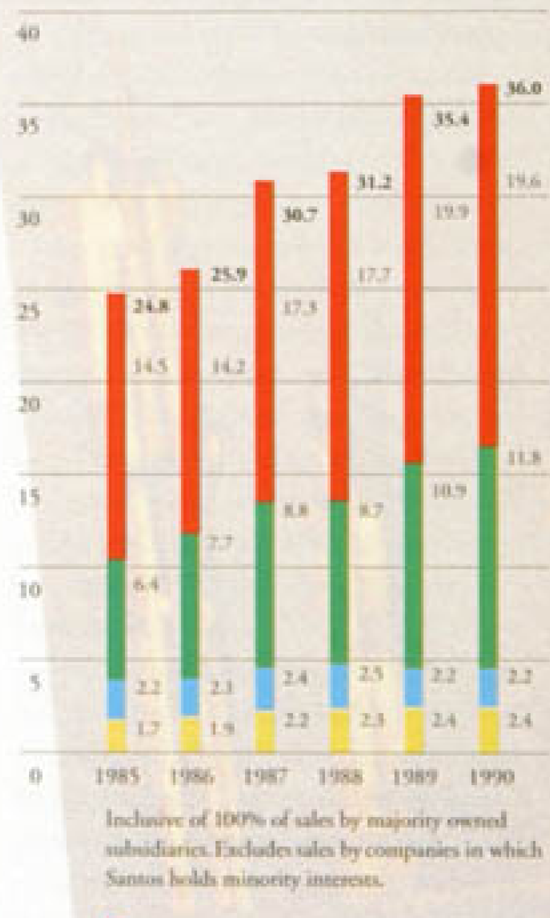
Once again, the company's profit was assisted by the containment of operating cost increases. In 1990, operating costs averaged $3.50 for each barrel of oil

Santos' Sales Revenue and Average Oil Price 1985-90



Santos Sales Volumes 1985-90

Millions of Barrels of Oil Equivalent (MMBOE)

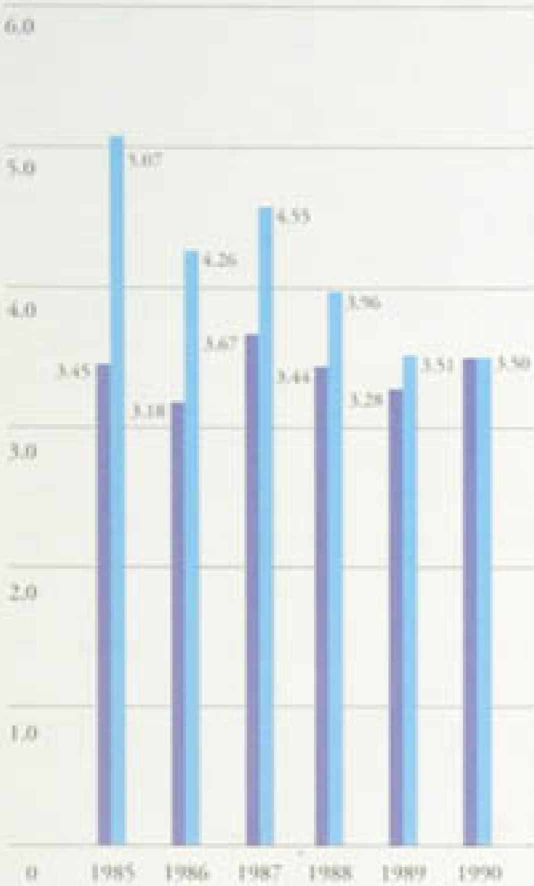


Inclusive of 100% of sales by majority owned subsidiaries. Excludes sales by companies in which Santos holds minority interests.

THE 1990 COOPER BASIN GAS EXPLORATION PROGRAMME WAS SUCCESSFUL IN ADDING FURTHER GAS RESERVES. THIS PAGE FEATURES ASPECTS OF GAS EXPLORATION AND PROCESSING AT MOOMBA AND SURROUNDING AREAS IN SOUTH AUSTRALIA.

Santos Operating Costs 1985-90

$/Barrel of Oil Equivalent Produced



Operating costs exclude taxes and royalties and financing charges.

Nominal Terms
Real Terms (1990 dollars)

equivalent. This is the same figure as in 1989 and in real terms, 31.0% below that of 1985, the first full year of liquids production from the Cooper Basin.

Operating profit before abnormal items and income tax was $254.8 million, an increase of 73.8% on the restated 1989 figure of $146.6 million. The 1990 accounts treat realised and unrealised foreign exchange gains and losses on a net basis. In 1990, Santos incurred a net foreign exchange loss of $1.3 million before tax and, as this is not a significant amount, it has been treated as a normal item. In 1989, Santos' net foreign exchange position was a gain of $55.7 million before tax and, due to the size of this amount, it has been treated as an abnormal item in the restated 1989 profit.

Operating profit after income tax and minorities and before abnormal items was $137.5 million, a 65.5% increase on the corresponding, restated figure for 1989 of $83.1 million. Profit after income tax, abnormal items and minorities was $156.0 million compared with $117.1 million in 1989.

Santos generated $488.5 million of after-tax cash flow in 1990, an increase of $229.2 million on 1989. The company committed $109.2 million and $138.1 million to investment in exploration and development respectively, while a further $51.3 million was paid out in dividends. The remaining $189.9 million of free cash flow was used for retirement of debt.

At the end of 1990, the company's shareholders' funds stood at $1380.2 million, an increase of $256.4 million on the corresponding 1989 figure of $1123.8 million. Overall debt at the end of the year was $877.7 million compared with $1263.5 million at the end of 1989.

This stronger balance sheet position is attributable to:

> free cash flow which was used to retire debt;
> $163.7 million of equity raised in 1990 by way of a one-for-ten rights issue (fully underwritten and subscribed to over 99%);
> $41.9 million cash proceeds from the sale in September 1990 of relatively minor oil-producing assets held by Peko Petroleum (UK) Ltd in the North Sea;
> $18.6 million re-invested through the dividend re-investment plan introduced in April 1990. 46.3% of dividends from the 1990 interim dividend were reinvested in the Company under the plan.

Santos, through its wholly-owned subsidiary Santos Finance Ltd, applied the funds raised to retirement of both revolving and term credit facilities. A US$50 million term credit facility, provided by Westpac, was repaid one year early and a US$70 million Floating Rate Note issue to Japanese investors was repaid two years early.

The debt reduction in 1990 has resulted in a significant improvement to Santos' liquidity. As at 31 December, 1990 cash and undrawn, committed credit lines totalled $585 million.

Santos' long-term credit rating was maintained at A– by Australian Ratings Pty Ltd.

In June, Santos Finance Ltd was successful in establishing a US$200 million Euro-Commercial Paper Programme in Hong Kong. This offshore programme, which attracts an A1 short-term credit rating from Australian Ratings Pty Ltd, complements the domestic promissory note facility initiated in December 1989 and provides Santos Finance Ltd with the flexibility to fund the company with both US and Australian dollar-denominated commercial paper.

Santos' Net Debt/Equity and Interest Cover 1985-90

	1985	1986	1987	1988	1989	**1990**
Gearing						
Net debt/shareholders' equity (%)	153.9	99.4	100.5	83.1	99.3	**55.9**
Interest Cover						
Earnings before interest and tax/interest expense (times)	3.0	2.8	3.3	2.4	1.9	**2.9**

Santos' Petroleum Production

By Region and Product

	CRUDE OIL (thousands of barrels)		CONDENSATE (thousands of barrels)		LPG (thousands of tonnes)		GAS (petajoules and billions of cubic feet)				TOTAL (millions of barrels oil equivalent)	
	1990	1989	**1990**	1989	**1990**	1989	**1990**		1989		**1990**	1989
							Pj	**bcf**	Pj	bcf		
Cooper/Eromanga	**7591.8**	8303.1	**2412.6**	2351.8	**282.9**	276.9	**101.6**	**93.5**	107.8	100.4	**29.8**	31.5
Timor Sea	**3144.8**	1634.8	–	–	–	–	–	–	–	–	**3.1**	1.6
Carnarvon Basin	**492.4**	733.7	–	–	–	–	–	–	–	–	**0.5**	0.7
USA	**377.1**	237.7	**4.4**	–	–	–	**8.3**	**7.8**	4.6	4.4	**1.8**	1.1
Other	**156.2**	157.7	**4.5**	4.0	–	–	**3.9**	**3.4**	3.6	3.1	**0.8**	0.7
Total	**11762.3**	11067.0	**2421.5**	2355.8	**282.9**	276.9	**113.8**	**104.7**	116.0	107.9	**36.0**	35.6

Production

Santos produced 36.0 million barrels of oil equivalent in 1990, the highest production in the company's history. Total production of liquid hydrocarbons in 1990 was 16.4 million barrels of oil equivalent (BOE) compared with 15.5 million BOE in 1989.

Liquids production from the Cooper/Eromanga Basins of Central Australia was disrupted by floodwaters in 1990 as in 1989. However, the 1990 flooding was significantly more disruptive. One indication of the impact of the flooding in 1990 is that twenty-one oil wells had to be shut-in compared with only three oil wells in 1989. The loss of production due to flooding was approximately 600,000 barrels.

Condensate production for the year was 2,421,500 barrels or 2.8% above that of 1989. LPG production in 1990 was 282,900 tonnes, the highest in the company's history and an increase of 2.2% on 1989 production.

Santos' share of production of sales gas from the Cooper Basin declined by 5.6% from 107.8 petajoules (Pj) in 1989 to 101.6Pj in 1990. This decline reflects the impact of electricity interconnection between South Australia, Victoria and New South Wales on gas sales to the Pipelines Authority of South Australia.

Production from interests held outside the Cooper/Eromanga Basins generally increased.

The Timor Sea contributed 3.1 million barrels of crude oil production in 1990 as compared with 1.6 million barrels in 1989. The increase is largely attributable to the first full year of production from the Challis field which was brought on stream in December 1989.

Production from the Challis field has been affected adversely by some technical difficulties, including reduced reservoir pressure and appearance of sand and water from some wells. At the end of 1990, production from the field had stabilised at 35,000 barrels of oil per day. While this rate is below original expectations, the operator, BHP Petroleum, advises that this lower rate of production is likely to result in greater total production from the field over time.

The Jabiru field produced at an average of approximately 53,000 barrels of oil per day, an increase of 28% on 1989.

Santos holds a 27.4% interest in exploration permit WA-191-P in the Carnarvon Basin offshore Western Australia. The licence area contains the producing Talisman oil field. In 1990, this field contributed 0.5 million barrels to Santos' oil production, compared with the 1989 contribution of 0.7 million barrels. The field was shut-in for most of the second and third quarters of the year, initially to remedy failure of downhole equipment and subsequently to rectify and refurbish the floating production, storage and offloading facility.

Santos also holds relatively minor crude oil and condensate producing interests in the Amadeus and Surat Basins. The company's share of total production from these interests was 119,000 barrels in 1990, compared with 137,000 in 1989. The principal reason for the decline was natural depletion of the Mereenie oil field. However, gas production from this field and from the Palm Valley gas field located in the same Basin, increased by 4.3% to 3.3 Pj in 1990. The increase reflects greater demand from the Northern Territory Power and Water Authority.

Santos' USA subsidiaries contributed increased production of both oil and gas in 1990. Oil production from these interests increased from 237,700 barrels in 1989 to 377,100 barrels in 1990 as a result of commencement of production from the State Tract 60S field, two miles off the Texas coastline. Santos, through its Wexco subsidiary, has an average 37.1% net revenue interest in the field, which is currently producing at approximately 1,900 barrels of oil per day and 18 million cubic feet of gas per day.

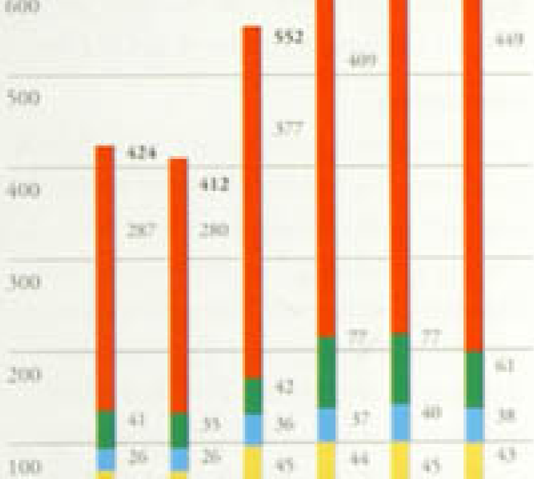
Marketing

In the marketing of Cooper Basin liquid products, it is Santos' objective to develop a broad, international customer base, thereby generating competition for the company's products. This process was taken a step further in 1990 with the decision to convert the Port Bonython fractionation facilities from producing condensate to producing full-range naphtha. The first cargo of naphtha was sold on 4 February 1991.

Santos believes that demand for naphtha is stronger than demand for condensate, particularly outside Australia. The premium which naphtha attracts as a result of this stronger demand has made it possible for Santos to recover quickly the costs of plant conversion at Port Bonython. This stronger demand for

Santos Reserves Growth 1985-90

Proved & Probable Reserves
Millions of Barrels of Oil Equivalent
(MMBOE)



Inclusive of 100% of reserves held by majority owned subsidiaries. Excludes reserves held by companies in which Santos holds minority interests.

- Gas
- Crude oil
- Condensate
- LPG
- Ethane

naphtha is expected to prevail throughout the decade, producing considerable benefits for Santos.

The other significant development in liquids marketing in 1990 was the Federal Government's decision to deregulate supply of indigenous LPG to the domestic market as from 1 January 1991. This decision is consistent with a number of other Federal Government decisions affecting the industry in the recent past and brings the regulatory environment for LPG marketing more closely into line with that applying to crude oil.

The next logical step is to deregulate or accelerate the pace of reform of Australia's coastal shipping. Although reform of coastal shipping is taking place, the present arrangements are still capable of being manipulated to the detriment of Australian producers negotiating with domestic and export customers. The Australian petroleum industry is therefore at a competitive disadvantage compared with the petroleum industries in other countries.

Gas marketing over the year focused on two objectives: first, ensuring that a substantial portion of South Australia gas requirements over the longer term is met by gas reserves from the South Australian section of the Cooper Basin; and finalisation of the contractual arrangements required for development of the existing and potential gas reserves in south-west Queensland. Considerable progress was made in negotiations for the sale of gas from the Queensland section of the Basin and these negotiations are expected to result in the finalisation of a gas supply contract in 1991.

Exploration and Development

The strong growth Santos has recorded in reserves from the end of 1985 to the end of 1989 was not maintained over 1990 as the exploration investment broadly failed to meet expectations. However, it should be noted that the ratio of the company's reserves to its production, its 'reserves life', stood at 17.5 years overall at the end of 1990, which is good by industry standards. The company's average costs of discovering oil and gas since 1982 are competitive in world terms. Between 1982 and 1990 inclusive, Santos' finding and development costs for oil averaged $6.62per barrel of oil and $0.17 per gigajoule of gas.

Santos' 1990 and 1989 year-end reserves are set out in the table on page 10.

The 1990 reserves include 100% of the reserves of Santos majority-owned subsidiaries, Vamgas Ltd, and Latec Investments Ltd. Reserves held by companies in which Santos holds minority interests, Magellan Ltd and Oil Company of Australia Ltd, have been excluded. The reserves reported in the 1989 Annual Report included contributions on a pro-rata basis from both Santos' majority-owned subsidiaries and companies in which Santos holds minority interests. The 1989 reserves quoted in this report have therefore been re-stated to conform with the treatment of these interests in the 1990 reserves.

Crude oil reserves fell from 76.7 million barrels at the end of 1989 to 60.9 million barrels at the end of 1990, making this the largest, single element in the 24.2 million BOE reduction in the company's total reserves. The reasons for the decline in oil reserves are set out in the Chairman's Foreword.

The reserves figures do not include discoveries in which Santos holds interests which are presently regarded as non-commercial, such as Elevala in Papua New Guinea; the Petrel and Tern gas fields in the Bonaparte Basin; the Oliver, Puffin, Swan and Talbot oil discoveries in the Timor Sea; the Sole gas discovery in Bass Strait; and additional onshore gas reserves at Dingo and Palm Valley in the Amadeus Basin.

The discoveries not included in reserves calculations are being subjected to further technical and commercial evaluation. Santos' share of these gas reserves not yet included as commercially producable reserves has been assessed at more than two trillion cubic feet or 300 million BOE. The company's share of the oil discoveries not yet included as reserves could contain a total of 10 to 27 million barrels. These oil discoveries will be the subject of appraisal work in 1991 and 1992.

The gas exploration programme in the South Australian section of the Cooper Basin added a total of 203 BCF to reserves of which Santos' share is

SANTOS, THROUGH ITS SUBSIDIARY WEEKS EXPLORATION COMPANY, IS INVOLVED IN ONSHORE AND OFFSHORE OIL AND GAS PRODUCTION IN THE GULF COAST REGION OF THE USA. A HIGHLIGHT OF 1990 WAS THE COMMENCEMENT OF OIL AND GAS PRODUCTION FROM THE STATE TRACT 605 FIELD AS FEATURED HERE.

Santos' Reserves

Proved and probable reserves as at 31 December. By Region and Product.

	CRUDE OIL (millions of barrels)		CONDENSATE (millions of barrels)		LPG (thousands of tonnes)		GAS (billions of cubic feet)		ETHANE (billions of cubic feet)		TOTAL (millions of barrels oil equivalent)	
	1990	1989	**1990**	1989	**1990**	1989	**1990**	1989	**1990**	1989	**1990**	1989
Cooper/Eromanga	**35.8**	37.0	**40.5**	42.7	**5073**	5293	**2211**	2189	**171**	173	**572.6**	574.2
Timor Sea	**19.5**	25.1	–	–	–	–	–	–	–	–	**19.5**	25.1
Amadeus	**0.3**	0.3	**0.2**	0.3	–	–	**220**	231	–	–	**40.4**	42.5
Other Australian	**0.8**	1.1	–	–	–	–	**2**	2	–	–	**1.2**	1.5
USA	**4.5**	4.0	–	–	–	–	**45**	63	–	–	**12.7**	15.5
UK	–	9.2	–	–	–	–	–	15	–	–	–	11.8
Total	**60.9**	76.7	**40.7**	43.0	**5073**	5293	**2478**	2500	**171**	173	**646.4**	670.6

approximately 130 BCF. The gross reserves added are equivalent to approximately two years of South Australian gas consumption. That State now has seven years forward cover of gas reserves from the South Australian section of the Cooper Basin and it is the Producers' objective to extend this forward cover to the required ten years by the end of 1991.

Gas was produced from areas not included in the Cooper Basin Unit Agreement, namely the Murta and Patchawarra South West Blocks, for the first time in 1990. Development of the fields in these Blocks was focused on bringing liquids-rich gas reserves into production, thereby making it possible for Santos to increase its production of gas liquids, notwithstanding the previously mentioned fall in total demand for South Australian gas over the year.

Oil drilling activities in the Cooper/Eromanga Basins, although hampered early in the year by floodwaters, added nine million barrels of oil reserves, of which Santos' share is 5.2 million barrels. Besides the new field discoveries, Jarrar and Bolan, significant extensions to the Gidgealpa, Meranji and Tantanna fields in South Australia and the Naccowlah West field in Queensland were confirmed. The discovery of oil in the Permian reservoirs of Yanda field is also significant, as previously only gas had been located in the Permian reservoirs in Queensland, oil having been confined to the younger Jurassic reservoirs. Although the reserves still have to be confirmed by further drilling and production, this discovery could lead to other finds in nearby fields.

In South Australia, the Permian reservoirs are the target for the Tirrawarra enhanced oil-recovery scheme, Australia's only project of enhanced recovery by miscible ethane flood. This project has resulted in production of an additional 3.5 million barrels of oil from this field to date, of which Santos' share is approximately 1.5 million barrels. Development work in 1990 added further reserves such that field performance and studies during the year indicate ultimate reserves added by the project have now reached 18 million barrels of oil, of which Santos' share is 7.6 million barrels.

The major disappointment for the year was the lack of success from exploration in the Timor Sea. Fourteen wildcat wells were drilled in the area without success and the Talbot 2 appraisal well confirmed only a small field extension.

As was mentioned in the Chairman's foreword, a large number of invalid targets have been drilled in the Timor Sea over the course of its exploration history, and the area can still be regarded as prospective and lightly explored. Greater use is now being made of three dimensional and closely-spaced conventional seismic surveys to define known, undeveloped accumulations and new targets.

A twelve-well program is scheduled for the Timor Sea during 1991. This marks the end of Santos' first phase of exploration in the area. Results in 1991 will determine the future direction of Santos' Timor Sea exploration activities.

At the same time, a detailed review of Santos' investment in exploration in the Timor Sea will be conducted, taking into consideration the results of the 1991 exploration program. Depending on results achieved, it may be necessary to write down this investment at the end of 1991.

In March 1990, joint-venture partners in the AC/P2 permit in the Timor Sea reached agreement to commit to the development of the Skua field. Design and construction are currently underway. This field will be produced using a floating, production storage and offloading facility. At this stage, the Skua field is planned to come on stream towards the end of 1991.

On 21 February 1991, the operator of the Skua field, BHP Petroleum, announced that the field had been remapped. The remapping implies a reduction in project reserves, but Santos believes it to be premature to re-define reserves until further data is collected from the drilling programme. The immediate consequence of this remapping was a decision to relocate the first development well, Skua 7. That well is to be followed up by a further well. The objective of the two wells is to further define the Skua reserves. Any necessary adjustments will be made to Santos' assessment of its share of Skua reserves when the results of both wells are known.

In the USA, the year was highlighted by the commencement of production from State Tract 60S (Texas State Waters). Currently, nine oil and gas wells

SANTOS' OPERATIONS IN THE COOPER/EROMANGA BASINS OF CENTRAL AUSTRALIA WERE INUNDATED WITH FLOODWATERS OVER THE SECOND AND THIRD QUARTERS OF 1990.

are producing from a jacket located some two miles offshore. Further appraisal in the eastern part of the field is planned for 1991 following the processing of recently acquired three-dimensional seismic data.

People

Santos employed 1556 people as at 31 December 1990.

Continuing its commitment to the ongoing training and development of its employees, Santos provided 386 in-house training courses and 742 external training course places to employees at all levels during 1990. Eighty of the external training course places were undertaken by employees seeking to obtain formal tertiary qualifications.

Four apprentices were indentured at Moomba and Port Bonython in 1990. John Chudleigh, a third-year Moomba instrumentation apprentice, achieved the distinction of being named Rotary Apprentice of the Year for the Whyalla region.

Santos is particularly conscious of the importance of operating a safe working environment. The safety performance of the company's Cooper Basin operations over 1988 and 1989 resulted in Santos receiving the Australian Petroleum Exploration Association's safety award for the best performance in the category of companies within the upstream petroleum industry which had worked more than 500,000 hours over the year. Unfortunately, the 1990 performance was not as good and renewed attention is now being focused on this area in 1991.

Santos is also at the forefront of the industrial relations reforms taking place in Australia. In the Cooper Basin, further progress was made in 1990 in developing more flexible work practices, broader technical and supervisory skills, and improved career paths for award-covered employees. A new Santos Employees Award was introduced as a replacement for the previous, cumbersome award. The new award has been developed through the joint efforts of award-covered employees, managerial staff and the relevant trade unions. All are to be commended for an outstanding result.

Environment

Environmental management in Santos' areas of operations continues to be regulated by a large and growing body of legislation. For example, in South Australia, the environmental aspects of the company's activities are regulated by eight Federal and thirty-one State Acts, with at least three more proposed.

Santos ensures that it complies with all legislation relating to its operations. The company is committed to a pro-active position: Santos' own environment management standards have consistently exceeded obligations imposed by legislation.

The company carries out annual environmental audits in areas where the company holds operator responsibilities. These audits have confirmed that Santos' practices comply with both legislation and the company's own standards.

Within the petroleum industry, Santos is an acknowledged leader in the field of environmental management. The success and validity of the company's approach can be gauged by the number of other companies, government departments and teaching institutions which have adopted the Santos strategies or utilised Santos' environmental publications.

Community

Santos takes an active part in community life in the areas of its major business interests.

In 1990, Santos was involved as a sponsor with the Adelaide Festival, the Art Gallery of South Australia, Carrick Hill and the Adelaide season of 'Circus Oz'.

In addition, Santos provided financial support to the Graduate School of Management and the National Centre for Geology and Geophysics at the University of Adelaide, the National Centre for Petroleum Engineering at the University of New South Wales, the Queensland Art Foundation, the Northern Territory Enterprise Awards and a number of community activities in Whyalla.

Finally, the company has entered into a significant five-year financial commitment to the Royal Flying Doctor Service Aircraft Replacement Scheme. This significant commitment has been made because of the Service's overall value to Australia and its direct relevance to the company's Central Australian operations.

SANTOS HOLDS EXPLORATION AND PRODUCTION INTERESTS IN THE TIMOR SEA, OFF AUSTRALIA'S NORTH-WEST COASTLINE. PRODUCTION OF CRUDE OIL FROM THE JABIRU FIELD INCREASED BY 27.7% IN 1990.

Stanley David Martin Wallis B Com, FCPA, ACIS, ACIM, FAIM, 51, was appointed a Director on 8 February 1988 and Chairman on 9 May 1989. He is also Chairman of Santos Finance Ltd. Mr Wallis is Managing Director of Amcor Ltd and his other Directorships include Australian Foundation Investment Company Ltd and the Principal Board of the AMP Society.

William Faulding Scammell CBE, 71, was appointed a Director on 4 October 1983 and Deputy Chairman on 1 April 1984. Mr Scammell is an industrial chemist and Director of F.H. Faulding and Co Ltd. Other Directorships include Penrice Ltd, Disposable Products Australia Ltd and the Principal Board of the AMP Society. He is also Chairman of the AMP Society (SA & NT) Board of Advice.

Norman Ross Adler B Com, MBA, 46, was appointed Managing Director on 7 November 1984. He is also Chairman of other Santos Ltd subsidiary companies. His other Directorships are with the Australian Institute of Petroleum Ltd and QCT Resources Ltd Group. In addition he is a member of the Board of the Commonwealth Banking Corporation and is a member of the Business Council of Australia.

Edmund Arthur Burton LLB, 70, was appointed a Director on 3 August 1982. Mr Burton is a lawyer and holds Directorships in National Deposit Insurance Corporation Ltd and Arab Australia Ltd.

Neil Rex Clark B Com, FAIB, FCPA, 61, was appointed a Director on 2 October 1990. Mr Clark was formerly Managing Director of the National Australia Bank Ltd. He is Chairman of the State Bank of South Australia, Elders IXL Ltd and the Sun Alliance Insurance Group Australia. His other Directorships include Boral Ltd, Mayne Nickless Ltd and the Graduate School of Management Ltd. Mr. Clark is also a member of the IBM Asia Pacific Ltd Advisory Board.

Stephen Gerlach LLB, 45, was appointed a Director on 5 September, 1989. Mr Gerlach is a solicitor and Managing Partner of Adelaide legal firm, Finlaysons. He holds Directorships in Arrow Ltd, Disposable Products Australia Ltd, G & R Wills & Co. Ltd, Independent Holdings Ltd and is Deputy Chairman of the AMP Society (SA & NT) Board of Advice.

James Joseph Kennedy CBE, FCA, 56 , was appointed a Director on 2 February 1988. Mr Kennedy is a Chartered Accountant. His other Directorships include Australian Stock Exchange Ltd, Pacific Dunlop Ltd and the Commonwealth Banking Corporation and he is Chairman of the Queensland Treasury Corporation Investment Board. He is also Chairman of the Royal Children's Hospital Foundation (Qld).

Richard Chapman Hope Mason OBE, 66, was appointed a Director on 2 September 1986. Mr Mason is Chairman of MGICA Ltd and was formerly a Director and Chief General Manager of Ampol Ltd. His Directorships include The Australian Gas Light Company (Group), Elgas Ltd and Renison Goldfields Consolidated Ltd. Mr Mason is the appointee of Sangas Development Ltd, holder of the B Class shares.

Keith Woodward Peterson FCPA, FCIS, 69, was appointed a Director on 4 October 1983. Mr Peterson was Managing Director of Queensland Alumina Ltd between 1974 and March 1987. He is a Senator of the University of Queensland and a Director of Uniquest Ltd.

Robert Strauss MBE, CPA, FCA, FCPA, FCIS, 65, was appointed a Director on 4 October 1983. Mr Strauss is a Chartered Accountant and Executive Chairman of Bridge Oil Ltd. He is Chairman of John Kaldor Fabricmaker Ltd Group, Deputy Chairman of Aredor-Guinea SA and a Director of Dominion Mining Ltd, and Data Beta Ltd (UK). He is also Chairman of the Council of the Australian Simon University.

LEFT TO RIGHT:
S.D.M. WALLIS,
N.R. ADLER,
S. GERLACH,
K.W. PETERSON,
N.R. CLARK,
E.A. BURTON,
J.J. KENNEDY,
R.C.H. MASON,
ROBERT STRAUSS.
ABSENT:
W.F. SCAMMELL

Licence Areas and Interest

South Australia	Santos Group Equity %
PEL 5 & 6	
1 Clifton	60.00
2 Haddon	61.25
3 Koonchera	53.75
4 Patchawarra Central	42.50
5 Patchawarra East	34.82
6 Merrimelia-Innamincka	80.00
7 Patchawarra Southwest	45.00
8 Lake Hope	50.00
9 Murta	59.00
10 Moomba	60.00
11 Nappacoongee-Murteree	42.00
12 Toolachee	60.00
13 Tinga Tingana	59.00

Queensland	
ATP 259P	
14 50/40/10	50.00
15 Naccowlah	48.00
16 Total 66	70.00
17 Wareena	59.20
18 Innamincka	65.00
19 Aquitaine "A"	52.50
20 Aquitaine "B"	55.00
ATP 488P	
21 Alkina	60.00
22 Aquitaine "C"	47.80
23 Galway	51.87
24 Morney	55.25
25 Yamma Yamma	62.20
ATP 332P	12.50

Western Australia	
WA-203-P	33.33
WA-18-P	70.00
WA-191-P	27.37
WA-1-P	22.56
EP 166	18.72
WA-147-P	10.00
WA-8L	27.37
WA-222-P	32.49

Victoria	Santos Group Equity %
VIC/P22	25.00

New South Wales	
NSW/P10	50.00

Tasmania	
TP/15	5.11

Northern Territory	
RL 1	65.00
AC/P2	27.67
AC/P3	15.00
AC/P4	10.31
AC/P5	20.00
AC/P6	38.00
AC/P9	41.18
AC/P10	31.82
AC/P11	20.00
AC/P12	25.00
NT/P4	100.00
NT/P28 & NT/CP1	47.49
OP175	25.54

United Kingdom (Offshore)	
P114 (22/27a)	3.75
P114 (23/27)	3.75

New Guinea	
PPL 81	45.00
PPL 127	45.00

United States of America	Net Acres	Working Interest (Santos Group Equity %)
Weeks Exploration Co.		
Southern Louisiana		
Tertiary	1012	32.16
Mississippi Smackover	4470	35.65
East Texas Cretaceous	9256	32.07
East Texas Smackover	1552	39.55
South Texas Wilcox	2427	43.88
Trio/Vicksburg	365	19.00
Miocene	3669	36.95
Palaeozoic	6632	50.00
Average		36.16
Total	29383	
Anadarko Basin	103	10.8
Lobo Trend	4408	97.0
Arkoma Basin - Oklahoma	15203	32.3
Arkoma Basin - Arkansas	9659	35.0
Average		43.78
Total	29373	

Malaysia	
PM14	
Contributing interest	20.00
Participating interest	15.00

Santos is also participating in three production licences at levels of interest different from those held by the company in the surrounding exploration permits. The details are as follows:-

Northern Territory	Santos Group Equity %	Exploration Permit Area
AC/L4 (Skua)	30.59	AC/P2
OL 3 (Palm Valley)	27.75	OP175
OL 4&5 (Mereenie)	21.25	OP175

Financial and Statutory Information

Contents

Santos

Ten Year Summary

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Profit and Loss* ($million)										
Sales revenue	44.6	65.2	147.0	287.5	506.5	400.4	530.7	436.1	560.6	**709.5**
Operating profit before tax and abnormal items	27.1	40.3	74.3	95.2	232.7	164.4	199.3	122.9	146.6	**254.8**
Abnormal items	-	-	-	-	(46.2)	(27.2)	18.1	39.1	55.7	**18.5**
Operating profit before tax and after abnormal items	27.1	40.3	74.3	95.2	186.5	137.2	217.4	162.0	202.3	**273.3**
Income tax	6.6	13.8	25.6	24.1	95.9	55.0	95.3	66.3	83.5	**112.0**
Operating profit after tax and abnormal items	20.5	26.5	48.7	71.1	90.6	82.2	122.1	95.7	118.8	**161.3**
Extraordinary items after tax	-	-	-	-	-	-	-	(87.8)	-	-
Profit attributable to shareholders	20.5	26.5	48.7	71.1	90.6	82.2	117.1	2.2	117.1	**156.0**
Balance Sheet ($million)										
Shareholders' equity	83.3	95.3	127.8	335.9	466.0	597.3	860.3	1,106.8	1,123.8	**1380.2**
Total assets	161.8	467.5	805.2	1,329.6	1,660.6	1,865.3	2,366.0	2,849.0	2,931.6	**2962.5**
Exploration										
Wells drilled	21	39	46	92	82	48	97	120	133	**119**
Expenditure ($million)	15.1	26.3	36.2	75.5	71.7	43.2	72.7	90.9	109.2	**109.2**
Reserves (MMBOE)	317	342	340	388	422	412	552	623	671	**646**
Production (MMBOE)	12.6	13.7	15.6	19.4	24.9	25.5	30.6	30.6	35.6	**36.0**
Capital Expenditure ($million)										
Field developments	9.8	30.0	9.6	26.1	29.3	14.9	24.5	20.1	54.9	**77.2**
Buildings, plant and equipment	17.0	187.1	214.7	114.3	61.9	21.9	63.4	40.4	59.7	**60.9**
Share Information										
Share issues	2 for 1 bonus	-	-	1 for 4 rights	1 for 4 rights	-	1 for 10 rights/ Exploration purchase/ Executive share plan	1 for 10 bonus/ 1 for 4 rights/ Private placement	Executive share plan	**1 for 10 rights/ Dividend reinvestment plan/ Executive share plan**
Number of issued shares ('000)	153,348	153,348	153,348	191,994	240,000	240,000	273,786	403,302	404,322	**450,418**
Dividends per share	6.0¢	8.0¢	12.0¢	15.0¢	20.0¢	16.0¢	19.0¢	19.0¢	19.0¢	**19.0¢**
Dividends ($million)	9.2	12.3	18.4	24.8	38.4	38.4	55.7	68.9	76.0	**85.5**
Ratios and Statistics*										
Earnings per share +	9.8¢	12.6¢	23.2¢	31.4¢	37.1¢	30.3¢	39.5¢	28.3¢	28.6¢	**37.2¢**
Return on total income	40.8%	38.6%	30.9%	22.7%	15.7%	17.0%	20.7%	20.6%	19.7%	**19.8%**
Return on shareholders' funds	24.6%	27.8%	38.1%	21.7%	19.4%	13.8%	15.4%	8.8%	11.3%	**12.0%**
Net debt/equity	2.6%	194.6%	315.8%	193.1%	153.9%	99.4%	100.5%	83.1%	99.3%	**55.9%**
Interest cover (times)	28.1	34.6	4.3	2.2	3.0	2.8	3.3	2.4	1.9	**2.9**
General										
Number of employees	594	813	1,076	1,199	1,323	1,263	1,561	1,547	1,574	**1556**
Number of shareholders	14,122	17,255	17,986	23,052	24,665	26,653	25,267	27,113	26,499	**26,251**
Market capitalisation ($million)	1,036.0	783.1	1,218.8	1,069.6	1271.5	984.7	1,094.4	1,335.1	1,639.3	**1779.8**

* Comparative figures have, where applicable, been adjusted to place them on a comparable basis with current year figures.
+ Based on weighted average number of shares on issue adjusted for bonus issues and the bonus component of rights and other share issues, and calculated based on operating profit after tax and abnormal items.
MMBOE: millions of barrels of oil equivalent on a heating value basis.

Directors' Statutory Report

This Report by the Directors of Santos Ltd, prepared in accordance with the Companies (South Australia) Code, is for the year ended 31 December 1990, and is accompanied by the Financial Statements for the period and by other information, which are to be read as part of the report:

1 Directors and Directors' Shareholdings

The names of Directors in office at the date of this report and details of shares held in the Company as recorded in the Register of Directors' Shareholdings are:

Surname	Other Names	Shareholdings in Santos Ltd
Wallis	Stanley David Martin (Chairman)	3,025
Scammell	William Faulding (Deputy Chairman)	5,198
Adler	Norman Ross (Managing Director)	710,000 *
Burton	Edmund Arthur	5,791
Clark	Neil Rex	Nil
Gerlach	Stephen	2,889
Kennedy	James Joseph	2,889
Mason	Richard Chapman Hope	Nil
Peterson	Keith Woodward	1,589
Strauss	Robert	6,076

All shareholdings shown above are held beneficially.

* Includes 510,000 partly paid Executive Share Plan Shares

No Director holds shares in any related Corporation.

Details of the qualifications, experience, other directorships and special responsibilities of each Director are set out on page 14 of this Annual Report.

2 Principal Activities

The principal activities of the corporations in the Group during the year were gas and petroleum exploration, and the production, treatment and marketing of natural gas, crude oil, condensate and liquid petroleum gas. No significant change in the nature of these activities has occurred during the year.

3 Group Results

The net amount of Consolidated Profit for the year ended 31 December 1990 after providing for income tax was $156.0 million.

4 Dividends

The Directors recommend to members for approval at the 1991 Annual General Meeting that a fully franked final dividend of 10.0 cents (Australian) be paid in respect of the year ended 31 December 1990. If approved, the final dividend will amount to approximately $45.3 million.

An interim dividend of $40.2 million (9 cents per share) was paid to members in January, 1991. This interim dividend was fully franked.

A final dividend on the 1989 results of 10 cents on each fully paid share was paid in June 1990. This dividend amounting to $40.1 million was fully franked. Indication of this dividend payment was disclosed in the 1989 Annual Report. Also paid in 1990 (January) was a second interim dividend on the 1989 results of 2 cents per share. This second interim dividend amounted to $8.0 million and was fully franked.

5 Review of Operations

A Review of the Operations and Results of the Group during the financial year is contained in the Directors' Review.

6 State of Affairs

No significant change in the state of affairs of the Group occurred during the financial year that is not otherwise disclosed in this Report, the Directors' Review or in the Group Accounts.

7 Subsequent Events

Other than as stated elsewhere in this Annual Report there has not arisen in the intervals between the end of the financial year and the date of the report any matter or circumstance that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

8 Directors' Interests

(a) Directors have declared interests in contracts or proposed contracts with the Company by virtue of their association with the companies specified in the statement setting out particulars of the qualifications, experience and special responsibilities of each Director on page 14. Some of these companies have transactions with the Company in the ordinary course of business.

(b) There are no particulars of Directors' interests declared in contracts which require to be reported under Section 270(3A)(c) of the Companies (South Australia) Code which are not otherwise disclosed.

9 Directors' Benefits

Since the end of the previous financial year no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Group Accounts or the fixed salary of a full time employee of the Company or a related corporation) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest except that

(1) an agreement was entered into with Mr N R Clark, a non-executive director appointed during the year, in accordance with the shareholders' approval at the 1989 Annual General Meeting providing for a payment of a sum on retirement from office as a Director;

(2) Mr N R Adler received a loan in accordance with the provisions of the Executive Directors' Loan Scheme established in 1990 with the approval of the shareholders in general meeting;

(3) Mr S Gerlach is a member of the legal firm of Finlaysons which was paid fees for legal services rendered to the Company.

10 Share Options

There are no unissued shares under option.

11 Future Developments

Certain likely developments in the operations of the Group subsequent to the financial year ended 31 December 1990 are referred to in the Directors' Review. In the opinion of the Directors it would prejudice the interests of the Company if further information which may be required by paragraph (e) of Section 270(2) of the Companies (South Australia) Code be included in the Report was so included and that information has not been so included.

12 Rounding

The amounts contained in this report have been rounded off under the option available to the company under Section 271 and Regulation 58 of the Companies (South Australia) Code and Regulations.

For and on behalf of the Board of Santos Ltd and pursuant to a resolution of the Directors.

S.D.M. Wallis
Director

N.R. Adler
Director

Adelaide
26 March 1991

Profit and Loss Statements

for the year ended 31 December 1990

		CONSOLIDATED		HOLDING COMPANY	
	Note	**1990 $million**	1989 $million	**1990 $million**	1989 $million
Operating revenue	*(2)*	**812.9**	603.0	**553.0**	423.7
Operating profit before abnormal items	*(3)*	**254.8**	146.6	**211.3**	87.8
Abnormal items	*(3)*	**18.5**	55.7	**(2.1)**	0.2
Operating profit before income tax		**273.3**	202.3	**209.2**	88.0
Income tax attributable to:	*(4)*				
- operating profit before abnormal items		**(112.0)**	(61.7)	**(55.0)**	(27.2)
- abnormal items		–	(21.8)	–	–
		(112.0)	(83.5)	**(55.0)**	(27.2)
Operating profit after income tax		**161.3**	118.8	**154.2**	60.8
Minority interests in operating profit after income tax		**(5.3)**	(1.7)	–	–
Operating profit after income tax attributable to members of the holding company		**156.0**	117.1	**154.2**	60.8
Retained profits at the beginning of the year		**195.8**	182.7	**142.8**	175.9
Change in accounting policies	*(5)*	–	(28.0)	–	(17.9)
Total available for appropriation		**351.8**	271.8	**297.0**	218.8
Dividends provided for or paid	*(6)*	**(85.5)**	(76.0)	**(85.5)**	(76.0)
Retained profits at the end of the year		**266.3**	195.8	**211.5**	142.8

The Profit and Loss Statements are to be read in conjunction with the notes to and forming part of the accounts.

Balance Sheets

as at 31 December 1990

	Note	CONSOLIDATED 1990 $million	CONSOLIDATED 1989 $million	HOLDING COMPANY 1990 $million	HOLDING COMPANY 1989 $million
Current Assets					
Cash	(7)	95.1	142.5	4.8	–
Receivables	(8)	122.3	107.1	64.4	61.8
Inventories	(9)	34.2	30.7	22.3	20.7
Other	(10)	–	–	135.7	110.2
Total Current Assets		251.6	280.3	227.2	192.7
Non-Current Assets					
Receivables	(8)	28.1	25.4	21.0	18.1
Investments	(11)	230.6	223.1	1269.8	1184.5
Property, plant and equipment	(12)	2251.9	2222.9	1048.6	1040.1
Intangibles	(13)	121.6	128.0	–	–
Other	(10)	78.7	51.9	–	–
Total Non-Current Assets		2710.9	2651.3	2339.4	2242.7
Total Assets		2962.5	2931.6	2566.6	2435.4
Current Liabilities					
Creditors and borrowings	(14)	96.0	99.0	36.6	29.4
Provisions	(15)	191.3	119.1	139.3	70.7
Other	(16)	–	–	872.9	1120.9
Total Current Liabilities		287.3	218.1	1048.8	1221.0
Non-Current Liabilities					
Creditors and borrowings	(14)	875.8	1241.7	2.7	4.1
Provisions	(15)	409.5	341.1	275.0	224.6
Other	(16)	9.7	6.9	7.7	5.5
Total Non-Current Liabilities		1295.0	1589.7	285.4	234.2
Total Liabilities		1582.3	1807.8	1334.2	1455.2
Net Assets		1380.2	1123.8	1232.4	980.2
Shareholders' Equity					
Share capital	(17)	111.8	100.2	111.8	100.2
Reserves	(18)	917.6	742.0	909.1	737.2
Retained profits		266.3	195.8	211.5	142.8
Shareholders' equity attributable to members of the holding company		1295.7	1038.0	1232.4	980.2
Minority shareholders' interest in subsidiaries		84.5	85.8	–	–
Total Shareholders' Equity		1380.2	1123.8	1232.4	980.2

The Balance Sheets are to be read in conjunction with the notes to and forming part of the accounts.

Consolidated Statement of Sources and Applications of Funds

for the year ended 31 December 1990

	Note	1990 $million	1990 $million	1989 $million	1989 $million
Sources of Funds					
Funds from operations:					
Inflows of funds from operations					
Sales revenue		709.5		560.6	
Proceeds from sale of non-current assets		53.0		5.6	
Other revenue		50.4	812.9	36.8	603.0
Less costs of operations			(301.7)		(276.7)
Funds from operations	*(i)*		511.2		326.3
Increase in borrowings			650.8		504.9
Decrease in non-current receivables			–		0.6
Proceeds from issue of shares			183.5		–
Decrease in working capital	*(ii)*		26.2		109.5
Total funds which became available during the year			1371.7		941.3
Applications of Funds					
Expenditure on:					
Land and buildings, plant and equipment			60.9		62.3
Exploration			109.2		121.5
Development			77.2		54.9
Repayment of borrowings			1032.3		472.0
Dividends paid - ordinary shares			48.1		68.0
- minority shareholders of subsidiary companies			3.2		2.0
Income tax paid			22.7		67.0
Increase in investments			13.9		92.6
Increase in non-current receivables			2.7		–
Minority interests in subsidiary company acquired			1.5		1.0
Total application of funds during the year			1371.7		941.3

Consolidated Statement of Sources and Applications of Funds *(continued)*

Notes to and forming part of the Consolidated Statement of Sources and Applications of Funds

	1990 $million	1989 $million
(i) Funds from operations		
Reconciliation of funds from operations with operating profit before income tax is as follows:		
Funds from operations	**511.2**	326.3
Add: Abnormal items	**18.5**	39.1
	529.7	365.4
Less: Depreciation	**83.8**	73.8
Depletion	**90.0**	72.4
Amortisation of goodwill	**4.5**	4.1
Increase in provisions	**7.5**	6.5
Exploration abandonments	**15.5**	2.1
Book value of non-current assets sold	**40.8**	4.2
Unrealised foreign currency exchange losses	**14.3**	–
Operating profit before income tax	**273.3**	202.3
(ii) Decrease/(increase) in working capital		
Decrease/(increase) in current assets:		
Cash	**47.4**	40.8
Receivables	**(15.2)**	65.9
Inventories	**(2.6)**	(0.9)
	29.6	105.8
Less: Decrease/(increase) in current liabilities:		
Creditors and borrowings	**3.4**	(3.7)
Net decrease in working capital	**26.2**	109.5
(iii) Acquisitions and disposals of subsidiaries		
Amounts included in this summary have been affected by acquisitions/(disposals) of subsidiaries as follows:		
Current assets		
Cash	**(0.2)**	0.1
Receivables	**(0.6)**	0.8
Inventories	–	0.1
Other	–	0.2
Non-current assets		
Land, buildings, plant and equipment	**(4.5)**	2.6
Exploration, evaluation and development expenditure	**(25.3)**	12.3
Current liabilities		
Creditors and borrowings	**0.6**	(1.2)
Net tangible assets acquired/(disposed of)	**(30.0)**	14.9
Net proceeds received/(consideration paid)	41.9	(14.9)
Profit on disposal	**11.9**	–

Notes to the Accounts

for the year ended 31 December 1990

1. Statement of Accounting Policies

The significant accounting policies which have been adopted in the preparation of these accounts are:

(a) Basis of preparation

The accounts of the Group and holding company have been drawn up in accordance with the requirements of the Companies (South Australia) Code and with Australian Approved Accounting Standards. They have been prepared on the basis of historical cost principles and do not take into account changes in the purchasing power of money or, except where specifically stated, current valuations of non-monetary assets. The accounting policies have been consistently applied, unless otherwise stated.

(b) Principles of consolidation

The Group consolidation includes as subsidiaries all companies in which the Group holds more than half of the issued ordinary shares or more than half the voting power or controls the composition of the Board of Directors. A listing of these companies is set out in note 19.

All intercompany balances and transactions resulting from intra-group transactions have been eliminated.

Investments in companies other than subsidiary companies, are recorded either at cost or, where the Directors believe there has been a permanent diminution in value, at net realisable value. Dividend income is included in operating revenue when received.

Interests in unincorporated joint ventures are recognised by including in the accounts under the appropriate items the Group's proportion of the joint venture costs, assets and liabilities. The major interests of the Group in unincorporated joint ventures are listed in note 20.

(c) Goodwill

On the acquisition of a subsidiary, the identifiable net assets acquired are measured at their fair values. To the extent that there is excess purchase consideration representing goodwill, the goodwill is systematically written off to operating profit over a period not exceeding twenty years.

(d) Foreign exchange

Transactions in foreign currencies are translated at the rates of exchange applicable at the date of each transaction. Monetary assets and liabilities held in foreign currencies are translated at the rates of exchange ruling at balance date. To the extent that such balances are hedged the effect of the hedging is taken into account. Gains or losses arising from such translations are taken to the Profit and Loss Statements as operating profits or losses except where they relate to the assets and liabilities of overseas subsidiaries.

Overseas subsidiary company accounts are converted into Australian currency as follows:

(i) For self-sustaining operations, assets and liabilities are translated at the exchange rate existing at balance date and the revenue and expense items at the exchange rates applying at the date they were recognised in the subsidiary companies' Profit and Loss Statements. Translation differences arising are included in the foreign currency translation reserve. In the consolidated accounts, gains and losses on certain long-term foreign currency loans are transferred to the foreign currency translation reserve. This transfer recognises that those foreign currency borrowings are matched by the net investment in overseas assets.

(ii) For integrated operations, monetary assets and liabilities are translated at the exchange rate existing at balance date, non-monetary assets and liabilities at the historical exchange rate and the revenue and expense items at the exchange rates applying at the date they were recognised in the subsidiary companies' Profit and Loss Statements. Any profit or loss on the translation of monetary assets and liabilities has been brought to account in determining operating profit for the year.

(e) Property, plant and equipment

Property, plant and equipment includes buildings, plant and equipment and exploration, evaluation and development expenditure. Profits or losses resulting from the disposal of property, plant and equipment in the normal course of business are brought to account as a component of operating profit.

All exploration, evaluation and development expenditures in respect of each area of interest are accumulated and carried forward if either:

(i) such expenditure is expected to be recouped through successful development and commercial exploitation of the area of interest; or

(ii) the exploration activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or if Directors consider the expenditure to be of reduced or no further value, accumulated exploration expenditure is written down or off in the period in which such a decision is made.

(f) Leases

Group entities lease certain plant, equipment, land and buildings.

Finance leases, which effectively transfer to the Group substantially all of the risks and benefits incident to ownership of the leased item, are capitalised at the present value of the minimum lease payments, disclosed as capitalised leases and amortised over the period the Group is expected to benefit from the use of the leased assets.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal instalments over the lease term.

(g) Capitalisation of interest and foreign currency exchange gains and losses

Preproduction interest, finance charges and foreign currency exchange gains and losses relating to major plant and equipment projects under development and construction up to the date of commencement of commercial operations are capitalised and amortised over the expected useful economic lives of the facilities. Interest paid in respect of completed projects is expensed.

(h) Amortisation

Depletion charges are calculated using a unit of production based on heat value method which will write off over the life of the reserves all existing unamortised exploration and development expenditure together with future costs necessary to develop the hydrocarbon reserves in the respective areas of interest.

Depreciation is calculated to write off the value of property, plant and equipment over their estimated economic life. The rates are reviewed and reassessed periodically in light of technical and economic developments.

(i) Provision for restoration

Provision is made in the accounts for the restoration of areas of interest where gas and petroleum production is undertaken.

(j) Participation factors

Revenue and expenses arising from participation in Joint Ventures are reported using the participation factors in existence at the time. There are provisions in the South Australian Unit and Downstream Cooper Basin Joint Venture Agreements for a biennial review of participation factors to be made and revenue and expenses adjusted. The 1/1/89 participation factors are currently under review and the Group has accrued $5.3 million for the anticipated favourable impact of this review for the 1989 and 1990 years. The accrual for the expected benefit is recorded as other income in the Profit and Loss Statements.

(k) Inventories

Inventories comprise the following:

(i) Operating supplies, which include plant spares, maintenance and drilling tools used for ongoing operations, are valued at average cost.

(ii) Stock on hand, which comprises extracted crude oil, LPG and condensate stored in tanks and pipeline systems, is valued using the absorption cost method.

Inventories are valued at the lower of cost or net realisable value. Provision is made for obsolescence.

(l) Employee benefits

Charges are made to the Profit and Loss Statements to provide for the legal liability to employees for annual and long service leave and workers' compensation. Provisions are included under current liabilities. No provision is made for sick leave.

(m) Income tax

Tax effect accounting is applied throughout the Group whereby the income tax charged in the Profit and Loss Statements is matched with the accounting profit after allowing for permanent differences. Income tax on timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the Balance Sheets as a future income tax benefit or deferred income tax liability. Future income tax benefits in respect of losses incurred by Group companies are brought to account where realisation of the benefits of such losses is considered to be virtually certain.

(n) Deferred income

The Group has obligations under sales contracts to deliver natural gas in future periods for which payment has already been received. The Group provides for the full sales value of undelivered gas over a period estimated to match expected deliveries under these obligations. The provision is recorded as a non-current liability.

(o) Rounding

The Company is of a kind referred to in Companies Regulation 58(6) and amounts in this report have been rounded off in accordance with Section 271 of the Companies Code and Regulations.

(p) Comparatives

Where applicable, comparatives have been adjusted to place them on a comparable basis with current year figures.

	CONSOLIDATED 1990 $million	CONSOLIDATED 1989 $million	HOLDING COMPANY 1990 $million	HOLDING COMPANY 1989 $million
2. Operating Revenue				
Included in operating revenue are the following items:				
Sales revenue	**709.5**	560.6	**427.2**	374.3
Other revenue:				
- overriding royalty	**12.3**	8.8	**14.9**	11.0
- dividends received from:				
- related companies	–	–	**73.2**	19.6
- other corporations	**13.8**	5.6	**13.8**	5.6
- interest received and receivable from:				
- related companies	–	–	**1.8**	1.5
- other corporations	**17.3**	19.3	**3.2**	6.3
- proceeds from sale of non-current assets:				
- property, plant and equipment	**3.0**	5.3	**1.2**	1.2
- investments	**50.0**	0.3	**8.2**	0.3
- other income	**7.0**	3.1	**9.5**	3.9
	812.9	603.0	**553.0**	423.7

	CONSOLIDATED 1990 $million	CONSOLIDATED 1989 $million	HOLDING COMPANY 1990 $million	HOLDING COMPANY 1989 $million
3. Operating Profit				
Operating profit before income tax is arrived at after crediting the following items:				
Profit on sale of non-current assets	**12.2**	2.2	**0.4**	0.6
Reduction in provision for obsolete stock	**0.9**	0.1	**0.5**	–
Operating profit before income tax is arrived at after charging the following items:				
Interest paid and payable to:				
- related companies	–	–	**120.0**	140.5
- other corporations	**132.1**	162.8	**1.5**	2.7
- finance charges on capitalised leases	**1.5**	1.9	**0.7**	0.8
Depreciation, depletion and amortisation of property, plant and equipment:				
- depreciation	**81.8**	71.6	**52.3**	53.3
- depletion	**90.0**	72.4	**33.0**	29.9
- amortisation of capitalised leases	**2.0**	2.2	**1.7**	1.8
Amortisation of goodwill	**4.5**	4.1	–	–
Exploration abandonments	**15.5**	2.1	**7.6**	0.2
Government royalties and resource rent tax	**49.3**	18.6	**22.8**	14.9
Increase in provisions:				
- future restoration costs	**2.8**	1.9	**1.3**	1.0
- employee benefits	**2.8**	2.1	**2.8**	2.2
- deferred income	**2.8**	2.3	**2.2**	2.5
- doubtful debts	–	0.3	–	0.1
Loss on sale of non-current assets	–	0.8	–	0.1
Net foreign currency exchange losses/(gains) (refer below)	**1.3**	–	**(0.9)**	–
Operating lease rentals	**4.3**	3.6	**2.5**	2.1

Net foreign currency exchange losses for the year are net of unrealised losses of $14.3 million arising on the revaluation of liabilities held in foreign currencies at year end.

Abnormal items

	CONSOLIDATED 1990 $million	CONSOLIDATED 1989 $million	HOLDING COMPANY 1990 $million	HOLDING COMPANY 1989 $million
Included in abnormal items are the following:				
Future income tax benefit of a subsidiary not previously brought to account (no income tax applicable)	**19.6**	–	–	–
Future income tax benefit not previously recognised brought to account due to change in legislation (no income tax applicable)	**7.8**	–	**5.3**	–
Restatement of deferred income tax liability for timing differences not previously recognised (no income tax applicable)	**(8.9)**	–	**(7.4)**	–
Net foreign currency exchange gains/(losses)(refer below)	–	(23.6)	–	0.2
Transfer from foreign currency translation provision	–	79.3	–	–
Net abnormal items for the year	**18.5**	55.7	**(2.1)**	0.2

Net realised currency exchange gains of $16.6 million classified as normal operating profit in 1989 have been reclassified as abnormal items and included in net foreign currency exchange gains/(losses) in the comparative figures.

	Consolidated 1990 $million	Consolidated 1989 $million	Holding Company 1990 $million	Holding Company 1989 $million
4. Taxation				
Income tax on operating profit				
The prima facie income tax on operating profit before abnormal items differs from income tax expense and is calculated as follows:				
Prima facie income tax expense at 39%	**99.4**	57.2	**82.4**	34.3
Tax effect of permanent differences which increase/(decrease) income tax expense:				
Amortisation of non-deductible property, plant and equipment	**14.3**	10.0	**4.6**	4.4
Amortisation of goodwill	**2.0**	1.6	**–**	–
Rebate on dividend income	**(4.3)**	(2.2)	**(32.9)**	(9.8)
Non-assessable receipts	**(6.3)**	–	**–**	–
Other	**2.8**	2.6	**0.8**	0.9
Net effect of permanent differences	8.5	12.0	(27.5)	(4.5)
Income tax expense on current year's operating profit	**107.9**	69.2	**54.9**	29.8
Income tax under/(over) provided in prior years	**4.1**	(5.9)	**0.1**	(2.6)
Future income tax benefit not previously recognised brought to account	**–**	(1.6)	**–**	–
Income tax expense on operating profit before abnormal items	**112.0**	61.7	**55.0**	27.2
Income tax on abnormal items	**–**	21.8	**–**	–
Income tax expense on operating profit after abnormal items	**112.0**	83.5	**55.0**	27.2
Provision for current income tax				
Balance at the beginning of the year	**60.7**	46.6	**12.4**	28.9
Transfer from income tax expense	**49.5**	78.0	**8.1**	31.2
Prior year under/(over) provision	**5.2**	3.1	**(0.1)**	1.2
(Payment)/refund of income tax	**(22.7)**	(67.0)	**26.8**	(48.9)
Losses of subsidiary companies utilised	**–**	–	**(6.4)**	–
Balance at the end of the year	**92.7**	60.7	**40.8**	12.4
Provision for deferred income tax				
Balance at the beginning of the year	**319.2**	299.2	**210.0**	210.9
Transfer from income tax expense	**59.1**	16.7	**46.8**	(1.4)
Prior year under/(over) provision	**5.4**	(1.6)	**0.2**	(0.7)
Future income tax benefit not previously recognised brought to account due to change in legislation	**(7.8)**	–	**(5.3)**	–
Recognition of deferred income tax liability for timing differences not previously brought to account	**8.9**	–	**7.4**	–
Change in accounting policy	**–**	8.0	**–**	4.3
Other	**–**	(3.1)	**–**	(3.1)
Balance at the end of the year	**384.8**	319.2	**259.1**	210.0
Future income tax benefit				
Balance at the beginning of the year	**51.9**	42.3	**–**	–
Transfer from income tax expense	**0.7**	3.7	**–**	–
Prior year under provision	**6.5**	4.3	**–**	–
Future income tax benefit of a subsidiary not previously brought to account	**19.6**	1.6	**–**	–
Balance at the end of the year	**78.7**	51.9	**–**	–

	CONSOLIDATED 1990 $million	CONSOLIDATED 1989 $million	HOLDING COMPANY 1990 $million	HOLDING COMPANY 1989 $million
5. Change in Accounting Policies				
The impact on retained profits of changes in accounting policies made in 1989 to comply with new approved accounting standards were:				
Provision for deferred income tax for exploration expenditure in non-producing areas	–	8.0	–	4.3
Provision for future restoration costs	–	20.0	–	13.6
	–	28.0	–	17.9
6. Dividends Provided For or Paid				
Interim dividend-1990				
The Directors declared an interim dividend to be paid on 4 January 1991 to the registered shareholders in the books at the close of business on 30 November 1990.				
9.0 cents on each ordinary share	**40.1**		**40.1**	
(7.0 cents declared and paid in 1989)		27.8		27.8
(2.0 cents declared in 1989 and paid in 1990)		8.0		8.0
9.0 cents on each 'B' class share	**0.1**		**0.1**	
(7.0 cents declared and paid in 1990)		0.1		0.1
(2.0 cents declared in 1989 and paid in 1990)		–		–
Total interim dividend	**40.2**	35.9	**40.2**	35.9
Final dividend-1990				
The Directors recommended the payment of a dividend on 15 July 1991 to the registered shareholders in the books at the close of business on 24 June 1991				
10.0 cents on each ordinary share (10.0 cents in 1989)	**45.2**	40.0	**45.2**	40.0
10.0 cents on each 'B' class share (10.0 cents in 1989)	**0.1**	0.1	**0.1**	0.1
Total final dividend	**45.3**	40.1	**45.3**	40.1
Total dividend	**85.5**	76.0	**85.5**	76.0
7. Cash				
Cash	**23.3**	76.6	**4.8**	–
Short term deposits- AUD	**4.1**	4.1	–	–
- JPY	**67.7**	61.8	–	–
	95.1	142.5	**4.8**	–

	Consolidated 1990 $million	Consolidated 1989 $million	Holding Company 1990 $million	Holding Company 1989 $million
8. **Receivables**				
Current				
Trade debtors	**80.3**	67.1	**52.4**	44.8
Sundry debtors and prepayments	**41.6**	39.8	**11.6**	16.6
Less provision for doubtful debts	**(0.4)**	(0.4)	**(0.1)**	(0.1)
Security deposits	**0.8**	0.6	**0.5**	0.5
	122.3	107.1	**64.4**	61.8
Non-current				
Security deposits (refer (a) below)	**23.6**	24.4	**16.5**	17.1
Other loans (refer (b) below)	**0.5**	–	**0.5**	–
Other deposits	**4.0**	1.0	**4.0**	1.0
	28.1	25.4	21.0	18.1

(a) Security deposits have been lodged with the South Australian authorities on behalf of the Downstream Joint Venture for the provision of roads and services together with the jetty at Port Bonython. With the completion of these projects, repayments by the State Government of deposits including an interest component have commenced over periods of up to 20 years concluding in 2003.

(b) Included in other loans is an amount of $506,000 (1989 - $nil) being a loan made to an executive director of the holding company in accordance with the provisions of the Loan Scheme approved at the 1990 Annual General Meeting.

	Consolidated 1990 $million	Consolidated 1989 $million	Holding Company 1990 $million	Holding Company 1989 $million
9. **Inventories**				
Petroleum products	**12.8**	11.2	**8.5**	7.4
Drilling and maintenance stocks	**22.7**	21.7	**14.8**	14.8
Provision for obsolescence	**(1.3)**	(2.2)	**(1.0)**	(1.5)
	34.2	30.7	**22.3**	20.7
10. **Other Assets**				
Current				
Amounts owing by subsidiaries	–	–	**135.7**	110.2
Non-current				
Future income tax benefits	**78.7**	51.9	–	–
Included in future income tax benefits are amounts arising from tax losses in some Group companies	**17.6**	19.1	–	–
11. **Investments**				
Investments in listed shares and notes in other companies - at cost	**220.4**	218.2	**220.2**	218.0
Deposits - CHF	**10.2**	4.9	–	–
	230.6	223.1	**220.2**	218.0
Investments in subsidiary companies - at cost (refer note 19)	–	–	**1049.6**	966.5
	230.6	223.1	**1269.8**	1184.5
Total market value of investments in listed shares and notes	**188.5**	212.9	**188.5**	212.7

	CONSOLIDATED		HOLDING COMPANY	
	1990 $million	1989 $million	1990 $million	1989 $million
12. **Property, Plant and Equipment**				
Land and buildings				
At cost	35.7	35.4	21.3	20.8
Less accumulated depreciation	(11.9)	(10.5)	(8.2)	(7.4)
	23.8	24.9	13.1	13.4
Plant and equipment				
At cost	1362.3	1312.0	954.3	925.8
At independent valuation-1977	35.2	35.2	35.2	35.2
Capitalised leases	18.9	17.8	10.5	11.0
	1416.4	1365.0	1000.0	972.0
Less accumulated depreciation	(546.1)	(465.9)	(397.7)	(345.7)
	870.3	899.1	602.3	626.3
Total Land and Buildings, Plant and Equipment	894.1	924.0	615.4	639.7
Exploration, Evaluation and Development Expenditure				
Areas of interest in which production has commenced:				
At cost	1258.9	1070.7	563.2	519.2
Less accumulated depletion	(362.9)	(284.3)	(199.7)	(178.8)
	896.0	786.4	363.5	340.4
Areas of interest in the development stage in which production has not commenced:				
At cost	69.5	19.4	–	–
Areas of interest in the exploration and/or evaluation stage:				
At cost	407.8	495.2	77.3	60.2
Less write-off of exploration expenditure	(15.5)	(2.1)	(7.6)	(0.2)
	392.3	493.1	69.7	60.0
Total Exploration, Evaluation and Development Expenditure	1357.8	1298.9	433.2	400.4
Total Property, Plant and Equipment	2251.9	2222.9	1048.6	1040.1

The Directors consider that the current value of the Group's buildings approximates their carrying value as reflected above.

13. **Intangibles**				
Goodwill, at cost	163.6	165.5	–	–
Less accumulated amortisation	(42.0)	(37.5)	–	–
	121.6	128.0	–	–

	CONSOLIDATED 1990 $million	CONSOLIDATED 1989 $million	HOLDING COMPANY 1990 $million	HOLDING COMPANY 1989 $million
***14.* Creditors and Borrowings**				
Current				
Bank loans - AUD	–	20.0	–	–
Trade creditors	**54.6**	40.2	**34.9**	26.4
Sundry creditors and accruals	**39.5**	37.0	**0.1**	1.3
Lease liabilities	**1.9**	1.8	**1.6**	1.7
	96.0	99.0	**36.6**	29.4
Non-current				
Bank loans - AUD	**130.0**	345.0	–	–
- USD	**458.1**	685.3	–	–
- JPY	**67.7**	61.8	–	–
Promissory notes - AUD	**146.1**	140.0	–	–
Euro commercial paper - AUD	**40.5**	–	–	–
- USD	**25.9**	–	–	–
Lease liabilities	**7.5**	9.6	**2.7**	4.1
	875.8	1241.7	**2.7**	4.1

All bank loans, Euro commercial paper and promissory notes are unsecured.

	CONSOLIDATED 1990 $million	CONSOLIDATED 1989 $million	HOLDING COMPANY 1990 $million	HOLDING COMPANY 1989 $million
***15.* Provisions**				
Current				
Dividends	**85.5**	48.1	**85.5**	48.1
Employee benefits	**13.1**	10.3	**13.0**	10.2
Income tax	**92.7**	60.7	**40.8**	12.4
	191.3	119.1	**139.3**	70.7
Non-current				
Deferred income tax (refer below)	**384.8**	319.2	**259.1**	210.0
Future restoration costs	**24.7**	21.9	**15.9**	14.6
	409.5	341.1	**275.0**	224.6
The balance in provision for deferred income tax is reduced by the following amounts arising from unrecouped tax losses in some Group companies	2.0	2.4	–	–
***16.* Other Liabilities**				
Current				
Amounts owing to subsidiaries	–	–	**872.9**	1120.9
Non-current				
Deferred income	**9.7**	6.9	**7.7**	5.5

	CONSOLIDATED		HOLDING COMPANY	
	1990 $million	1989 $million	**1990 $million**	1989 $million
***17.* Share Capital**				
Authorised capital				
1,999,000,000 unclassified shares of 25¢ each	**499.7**	499.7	**499.7**	499.7
1,000,000 'B' class shares of 25¢ each	**0.3**	0.3	**0.3**	0.3
	500.0	500.0	**500.0**	500.0
Issued capital				
446,068,047 (1989 - 399,832,490) ordinary shares of 25¢ each	**111.5**	99.9	**111.5**	99.9
1,000,000 (1989 - 1,000,000) 'B' class shares of 25¢ each	**0.3**	0.3	**0.3**	0.3
3,350,250 (1989 - 3,489,500) ordinary shares of 25¢ each paid to 1¢	**–**	–	**–**	–
	111.8	100.2	**111.8**	100.2

Increase in issued share capital:

40,918,533 ordinary shares (fully paid) were allotted to Santos shareholders at a premium of $3.75 on 11 October 1990 in terms of a 1 for 10 rights issue.

4,952,774 ordinary shares (fully paid) were issued at a premium of $3.51 to Santos shareholders on 29 June 1990 as elected under the Dividend Reinvestment Plan.

364,250 ordinary shares (paid to 1 cent) issued to senior executives of the Company under the Santos Executive Share Plan were converted to fully paid ordinary shares during the year.

225,000 ordinary shares (paid to 1 cent) were issued to senior executives of the Company under the Santos Executive Share Plan.

In the event of the Company making any new issues of shares, certain rights of pre-emption exist under Articles of Association in favour of The Australian Gas Light Company and its subsidiaries.

	CONSOLIDATED		HOLDING COMPANY	
	1990 $million	1989 $million	**1990 $million**	1989 $million
***18.* Reserves**				
Share premium	**888.6**	716.7	**888.6**	716.7
Asset revaluation	**14.9**	16.0	**14.8**	14.8
Capital	**5.9**	5.9	**5.7**	5.7
Foreign currency translation	**8.2**	3.4	**–**	–
	917.6	742.0	**909.1**	737.2
Movement during the year:				
Share premium				
Balance at the beginning of the year	**716.7**	716.4	**716.7**	716.4
Dividend re-investment plan	**17.4**	–	**17.4**	–
Rights issue	**153.4**	–	**153.4**	–
Share issues	**1.1**	0.3	**1.1**	0.3
Balance at the end of the year	**888.6**	716.7	**888.6**	716.7
Asset revaluation				
Balance at the beginning of the year	**16.0**	14.8	**14.8**	14.8
Adjustment for exchange rate fluctuations	**0.5**	1.2	**–**	–
Net adjustment on disposal of subsidiary	**(1.6)**	–	**–**	–
Balance at the end of the year	**14.9**	16.0	**14.8**	14.8
Foreign currency translation				
Balance at the beginning of the year	**3.4**	–	**–**	–
Net adjustment on translation of foreign subsidiaries	**4.8**	3.4	**–**	–
Balance at the end of the year	**8.2**	3.4	**–**	–

19. Subsidiary Companies and Contributions to Consolidated Profits

	Name	Place of incorporation	Group interest 1990 %	Group interest 1989 %	Amount of holding company's investment in subsidiary companies at cost 1990 $million	Amount of holding company's investment in subsidiary companies at cost 1989 $million	Contribution to Group profit 1990 $million	Contribution to Group profit 1989 $million
	Santos Ltd (Group Holding Company)	SA					**154.2**	60.8
	Subsidiary companies							
+	Alliance Oil Development Australia N.L.	VIC	**100**	100	**107.7**	107.7	**(0.7)**	–
	Wholly owned subsidiaries of Alliance Oil Development Australia N.L.							
+	Alliance Minerals Australia N.L.	VIC	**100**	100	–	–	**0.2**	0.1
+	Alliance Petroleum Australia N.L.	VIC	**100**	100	–	–	**9.2**	20.4
+	Alliance Petroleum International Ltd	VIC	**100**	100	–	–	**(0.4)**	0.4
*	Alliance Petroleum New Zealand Ltd	NZ	**100**	100	–	–	**(3.3)**	0.1
+	Alliance Resources Ltd	VIC	**100**	100	–	–	**(0.6)**	3.9
+	Boston Long Hedges Finance Pty Ltd	VIC	**100**	100	–	–	–	–
+	Hellyer Mining and Exploration Pty Ltd	TAS	**100**	100	–	–	–	(0.4)
+	Peko Oil Ltd	VIC	**100**	100	**418.5**	418.5	**24.2**	13.2
	Wholly owned subsidiaries of Peko Oil Ltd							
+	Peko Bunyu Pty Ltd	VIC	**100**	100	–	–	**(4.5)**	–
*	Peko Exploration (UK) Ltd (formerly IU Oil and Gas Ltd)	UK	**100**	100	–	–	–	–
*	Peko Offshore Ltd	BER	**100**	100	–	–	**0.3**	0.9
	Peko Oil North Sea PLC	UK	–	100	–	–	–	(0.5)
	Peko Petroleum (UK) Ltd	UK	–	100	–	–	**(0.4)**	(0.7)
*	Weeks Exploration Company	USA	**100**	100	–	–	**2.4**	(5.8)
+	Weeks Java Sea Pty Ltd	VIC	**100**	100	–	–	–	–
+	Reef Oil N.L.	NSW	**100**	100	**82.7**	82.7	**2.9**	–
#	Santos (A.C.T.) Pty Ltd	ACT	**100**	100	–	–	–	–
	Wholly owned subsidiary of Santos (A.C.T.) Pty Ltd							
#	Alliance Oil Management Pty Ltd	VIC	**100**	100	–	–	–	–
+	Santos Exploration Pty Ltd	VIC	**100**	100	**3.4**	3.4	**(1.6)**	–
+	Santos Facilities Ltd	SA	**100**	100	–	–	–	–
	Santos Finance Ltd	NSW	**100**	100	**70.0**	70.0	**11.5**	44.3
+	Santos Indonesian Holdings Pty Ltd	SA	**100**	100	–	–	–	–
*	Santos Niugini Exploration Pty Ltd	PNG	**100**	100	**8.2**	7.8	**(0.1)**	0.1
+	Santos (N.T.) Pty Ltd	ACT	**100**	100	**14.8**	14.8	**18.9**	–
*	Santos Oil Exploration (Malaysia) Sdn Bhd (formerly Acestar Enterprises Sdn Bhd)	MAL	**100**	100	**0.2**	–	–	–
+	Santos Petroleum Pty Ltd	NSW	**100**	100	**69.3**	69.3	**(1.9)**	(5.6)
+	Santos Resources Pty Ltd	QLD	**100**	100	–	–	–	–
*	Santos (UK) Ltd	UK	**100**	100	–	–	–	–
	Vamgas Ltd	VIC	**81**	81	**164.9**	164.7	**23.0**	14.9
+	Worldwide Assets Ltd	NSW	**100**	100	**95.3**	14.3	**(7.3)**	(3.8)
	Wholly owned subsidiary of Worldwide Assets Ltd							
+	Western Australian Capital Holdings Ltd	WA	**100**	100	–	–	–	0.2
	Other subsidiary companies							
	Latec Investments Ltd	NSW	**64**	61	**14.6**	13.3	**0.4**	(0.1)
	Wholly owned subsidiaries of Latec Investments Ltd							
*	Astrascale Ltd	UK	**64**	61	–	–	–	–
+	Comserv (No. 37) Pty Ltd	NSW	**64**	61	–	–	–	2.7
+	Doce Pty Ltd	QLD	**64**	61	–	–	–	(0.1)
+	Flinders Petroleum N.L.	VIC	**64**	61	–	–	–	–
	Wholly owned subsidiaries of Flinders Petroleum N.L.							
+	Canso Resources Ltd	NSW	**64**	61	–	–	**1.5**	(1.7)
+	Farmout Drillers N.L.	NSW	**64**	61	–	–	**0.9**	(1.9)
	Consolidation eliminations and adjustments						**(67.5)**	(22.6)
					1049.6	966.5	**161.3**	118.8

19. Subsidiary Companies and Contributions to Consolidated Profits *(continued)*

Notes:

In voluntary liquidation.

* Companies audited by other than auditors of the holding company.

+ Subsidiaries which have adopted the National Companies and Securities Commission Class Order providing relief from the requirement to prepare and have audited separate accounts of the subsidiaries where deeds of indemnity have been entered into between its holding company and the subsidiaries undertaking to meet each others' liabilities as if they were their own.

Place of incorporation

SA - South Australia	UK - United Kingdom	NSW - New South Wales	NZ - New Zealand
ACT - Australian Capital Territory	PNG - Papua New Guinea	VIC - Victoria	BER - Bermuda
QLD - Queensland	USA - United States of America	TAS - Tasmania	MAL - Malaysia
WA - Western Australia			

Investments eliminated by rounding

	1990 $	1989 $
Boston Long Hedges Finance Pty Ltd	**12**	12
Hellyer Mining and Exploration Pty Ltd	**7,799**	7,799
Santos (A.C.T.) Pty Ltd (in voluntary liquidation)	**1**	1
Santos Facilities Ltd	**5**	5
Santos Indonesian Holdings Pty Ltd	**1**	1
Santos Resources Pty Ltd	**2**	2
Santos (UK) Ltd	171	171

Disposal of subsidiaries

The following subsidiaries were disposed of by sale during the year:

Company	Consideration $million	Net tangible assets on date of sale $million	Profit on sale $million
Peko Petroleum (UK) Ltd and its subsidiary, Peko Oil North Sea PLC	41.9	30.0	11.9

The following subsidiaries have been placed into voluntary liquidation since year end:

Company	Net tangible assets at date of liquidation $million
Santos (A.C.T.) Pty Ltd	–
Alliance Oil Management Pty Ltd	0.2

20. Interest in Joint Ventures

(a) Companies in the Group have direct interests in the following unincorporated joint ventures:

Joint Venture	Principal Activities	Average Group Interest %
SA/Queensland Block Operations (incorporating PEL 5 & 6 (SA) and ATP 259 (Qld))	Oil and gas exploration and production	55
Cooper Basin Unit	Oil and gas production	55
Cooper Basin Downstream	Liquid hydrocarbon transportation and processing	53
Jackson Moonie Pipeline	Oil transportation	24
Bonaparte Basin	Oil and gas exploration	61
Carnarvon Basin	Oil and gas exploration and production	29
Gulf Coast - USA	Oil and gas exploration and production	39
Malaysia - PM14	Oil and gas exploration	15
Mereenie	Oil and gas production	21
Mereenie Pipeline	Oil transportation	23
Palm Valley	Gas production	28
Papua New Guinea (PPL's 81, 127 and 140)	Oil and gas exploration	45
Timor Sea	Oil and gas production	10
	Oil and gas exploration	27

(b) During the year ended 31 December 1990, companies in the Group were participants in a number of joint ventures. The Group has an interest in the assets, liabilities and profit or loss of these joint ventures. The Group's share of assets and liabilities of the joint ventures are included in the Balance Sheets under the following classifications:

	CONSOLIDATED		HOLDING COMPANY	
	1990 $million	1989 $million	**1990 $million**	1989 $million
Non-current assets				
Buildings, plant and equipment	**878.4**	906.9	**611.9**	636.5
Exploration, evaluation and development expenditure	**1357.8**	1298.9	**433.2**	400.4
Receivables	**23.6**	24.4	**16.5**	17.1
Total non-current assets	**2259.8**	2230.2	**1061.6**	1054.0
Current assets				
Receivables	**30.2**	46.7	**7.4**	26.2
Inventories	**23.8**	21.7	**14.8**	14.8
Total current assets	54.0	68.4	22.2	41.0
Total assets	**2313.8**	2298.6	**1083.8**	1095.0
Current liabilities				
Creditors and borrowings	**79.8**	48.2	**34.1**	24.4
Net investments in joint ventures	**2234.0**	2250.4	**1049.7**	1070.6
(c) The Group's share of contingent liabilities and capital expenditure commitments in respect of unincorporated joint ventures is:				
Capital expenditure commitments	**33.4**	11.4	**5.4**	2.4
Unsecured contingent liabilities	**14.2**	14.5	**11.8**	12.2

(d) Disclosure of the contribution of unincorporated joint ventures to the profit or loss of the Group is required by Schedule 7 Clause 33(3)(h) of the Companies (South Australia) Code. Santos Ltd and its subsidiary companies are involved in more than 100 such joint ventures throughout Australia and overseas, several of which are not accounted for separately. The Directors consider it neither practical nor possible to identify the profit or loss contribution from each individual joint venture.

21. Related Party Disclosures

Information pertaining to related party transactions of the Group not disclosed elsewhere in these accounts are as follows:

a) Santos Ltd received management fees during the year of $1,710,000 (1989 - $1,500,000) from Vamgas Ltd and $1,100,000 (1989 - $1,025,000) from Latec Investments Ltd in accordance with management, administration and technical service agreements in place with these subsidiaries.

b) Details of persons currently holding the position of Director of Santos Ltd are disclosed on pages 14 and 19 of this Annual Report. M.R.G. Johnson retired as a Director in May 1990.

	CONSOLIDATED		HOLDING COMPANY	
	1990 $000	1989 $000	1990 $000	1989 $000
22. Remuneration of Directors and Executives				
Directors				
Amounts received or due and receivable from the Company and related companies by the Directors of the Company and Directors of each company in the Group	1,693	1,554	899	866
Number of Directors whose remuneration was within the following bands:			No.	No.
$000's				
0 - 10			2	1
10 - 20			–	2
20 - 30			6	6
40 - 50			1	2
80 - 90			1	–
90 - 100			–	1
470 - 480			–	1
590 - 600			1	–
Superannuation and Retirement Benefits	$000	$000	$000	$000
Superannuation contributions provided and retirement benefits paid in respect of Directors. The Directors believe that the provision of full particulars would be unreasonable	430	302	348	210
Executives				
Amounts receivable from the Company or related companies by executive officers whose income is $85,000 or greater	6,251	4,947	4,091	3,213
Number of executive officers whose remuneration was within the following bands:	No.	No.	No.	No.
$000's				
85 - 95	10	9	5	6
95 - 105	7	3	6	2
105 - 115	7	10	5	7
115 - 125	6	3	3	–
125 - 135	2	–	1	–
135 - 145	1	1	–	–
145 - 155	1	–	–	–
155 - 165	–	3	–	2
165 - 175	1	–	–	–
175 - 185	1	1	1	1
185 - 195	1	2	1	1
195 - 205	1	1	1	–
205 - 215	2	–	1	–
225 - 235	1	–	–	–
255 - 265	–	2	–	2
285 - 295	1	–	1	–
315 - 325	1	–	1	–
475 - 485	–	1	–	1
585 - 595	1	–	1	–

	CONSOLIDATED		HOLDING COMPANY	
	1990 $million	1989 $million	1990 $million	1989 $million
23. **Remuneration of Auditors**				
Amounts received or due and receivable by the auditors of the holding company for:				
- audit services	**0.3**	0.3	**0.2**	0.2
- other services	**0.6**	0.3	**0.4**	0.2
	0.9	0.6	**0.6**	0.4
Amounts received or due and receivable by auditors other than the auditors of the holding company for:				
- audit services	**0.2**	0.1	–	–
- other services	**0.2**	0.2	–	–
	0.4	0.3	–	–
24. **Segment Reporting**				
The Group predominantly operates in one industry, namely exploration, development and marketing of hydrocarbons and in one geographical segment, namely Australia. Revenue is derived from the sale of gas and liquid hydrocarbons.				
25. **Commitments**				
(a) Capital expenditure				
Contracts for capital expenditure on plant, equipment and buildings for which no amounts have been provided in the accounts:				
Due not later than one year	**33.4**	11.4	**5.4**	2.4
(b) Leases				
Finance leases:				
Due not later than one year	**3.0**	3.1	**2.1**	2.4
Due later than one year but not later than two years	**2.1**	3.2	**1.4**	2.0
Due later than two years but not later than five years	**6.5**	9.0	**1.5**	2.3
Due later than five years	**0.6**	1.0	**0.5**	0.7
Total commitments under finance leases	**12.2**	16.3	**5.5**	7.4
Less future finance charges	**(2.8)**	(4.9)	**(1.2)**	(1.6)
Finance lease liability	**9.4**	11.4	**4.3**	5.8
Operating leases:				
Due not later than one year	**4.2**	3.5	**2.5**	2.0
Due later than one year but not later than two years	**4.3**	3.5	**2.6**	2.0
Due later than two years but not later than five years	**11.4**	8.2	**7.3**	5.1
Due later than five years	**12.0**	6.7	**6.6**	3.1
Total commitments under operating leases	**31.9**	21.9	**19.0**	12.2

(c) The Group has certain obligations to perform minimum exploration work and expend minimum amounts of money on such works in petroleum exploration permits, production and related licence areas. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of operations of the Group.

26. **Superannuation commitments**

The Group participates in a number of superannuation funds and pension plans in Australia, United Kingdom and United States of America which provide benefits either on a defined benefit or cash accumulation basis for employees or their dependants on retirement, resignation, total or permanent disablement or death. The Group and employee members make contributions as specified in the rules of the respective funds.

The assets of all funds were sufficient to satisfy all benefits which would have been vested in the event of termination of the fund, or in the event of voluntary or compulsory termination of the employment of each employee. The following is a review of the major funds in which the Group participates:

Name of fund	*Santos Retirement Plan*	*Santos Staff / Executive Superannuation Fund*	*Peko Oil Ltd Superannuation Fund*
Type of benefit	Cash accumulation benefit	Defined benefits and cash accumulation	Cash accumulation benefit
Basis of contributions	Percentage of member's wage contributed by member and Group	Percentage of member's salary contributed by member and Group. The Group's percentage reflects the amount recommended by the Actuary to provide the defined benefit	Percentage of member's salary contributed by member and Group
Group's legal obligation to contribute	Enforceable subject to right to cease contributions on not less than one month's notice to the Trustees	Enforceable subject to right to cease contributions on written notice to the Trustees	Enforceable subject to right to cease contributions on not less than one month's notice to the Trustees
Last actuarial assessment	Not applicable	1 January 1988	Not applicable

	CONSOLIDATED		HOLDING COMPANY	
	1990 $million	1989 $million	**1990 $million**	1989 $million
27. **Contingent liabilities**				
Contingent liabilities arising in respect of other persons:				
(i) Bank guarantees as arranged under credit facilities	**1.2**	1.2	**1.1**	1.1
(ii) Employee service agreements	**0.9**	0.5	**0.9**	0.5
(iii) Claims have been lodged including the following:				
(a) loss and damage arising out of alleged breach and repudiation of contract	**0.2**	0.5	**–**	0.4
(b) loss of contract	**12.8**	12.8	**10.7**	10.7
	15.1	15.0	**12.7**	12.7

The Group has taken legal advice in relation to the claims lodged above and such advice indicates that the litigation is unlikely to be successful.

A party to the Unit and Downstream joint ventures has given notice it wishes to arbitrate a number of issues in respect of the 1 January 1987 Review and Adjustment finalised in 1989. It has also given notice of appeal against the decision upholding the validity of Unit Review and Adjustment. In both cases the Directors believe that should the claim be successful, there would not be a material impact on the Group.

28. **Economic Dependency**

There are in existence long-term contracts for the sale of gas, but otherwise the Directors believe there is no economic dependency.

29. **Post Balance Date Events**

The crude oil price has decreased from approximately US$27.50 per barrel at 31 December 1990 to approximately US$18.50 per barrel at the date of this report. This decrease if maintained will impact sales revenues in 1991.

Statement by Directors

1. In the opinion of the Directors of Santos Ltd:

   (a) the accompanying Profit and Loss Statement is drawn up so as to give a true and fair view of the profit of the company for the year ended 31 December 1990;

   (b) the accompanying Balance Sheet is drawn up so as to give a true and fair view of the state of affairs of the company as at 31 December 1990;

   (c) as at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due;

   (d) the accompanying Group accounts are drawn up so as to give a true and fair view of the profit of the company and its subsidiaries for the year ended 31 December 1990 and the state of affairs of the company and its subsidiaries as at that date, so far as they concern members of the holding company.

2. The accounts of the company and the Group accounts have been made out in accordance with applicable approved accounting standards.

3. Pursuant to the National Companies and Securities Commission Class Order, Release Number 633, relief has been granted to the company's wholly owned subsidiaries listed in note 19 ('the subsidiaries') from the Companies Code requirements for preparation, audit, and publication of accounts.

   It is a condition of the Class Order that the company and each of the subsidiaries enter into a deed. The effect of the deed is that the company has guaranteed to pay any deficiency in the event of winding up of any of the subsidiaries. The subsidiaries have also given similiar guarantees in the event that the company is wound up.

   There are reasonable grounds to believe that the company will be able to meet any obligations or liabilities to which it is, or may become, subject by virtue of the Deed.

   By order of the Board

   S.D.M. Wallis
   Director

   N.R. Adler.

   N.R. Adler
   Director

   Adelaide
   26 March 1991

Auditors' Report

to the members of Santos Ltd

We have audited the accounts set out on pages 20 to 39 in accordance with Australian Auditing Standards.

In our opinion:

(a) the accounts of Santos Ltd and the Group accounts are properly drawn up in accordance with the provisions of the Companies (South Australia) Code and so as to give a true and fair view of:

   (i) the state of affairs of the company and of the Group as at 31 December 1990 and of the result of the company and of the Group for the year ended on that date so far as they concern members of the holding company;

   (ii) the other matters required by Section 269 of that Code to be dealt with in the accounts and in the Group accounts;

   and are in accordance with Statements of Accounting Concepts, applicable approved accounting standards and Australian Accounting Standards.

(b) the names of the subsidiaries audited by other firms are indicated in note 19.

KPMG Peat Marwick.

KPMG Peat Marwick
(successors to the firm Touche Ross & Co.)
Chartered Accountants

C.W. Dunsford - Partner

Adelaide,
26 March 1991

Stock Exchange and Shareholder Information

Listed on Australian Stock Exchanges at 18 March 1991 were 451,831,613 ordinary shares. Unlisted are 1,000,000 class 'B' shares, 1,662,000 partly paid Plan '0' shares and 1,603,250 partly paid Plan '2' shares. There were 26,409 holders of all classes of issued shares (including 1 B Class shareholder and 78 holders of Plan O shares and 80 holders of Plan 2 shares) compared with 26,499 a year earlier.

The listed issued ordinary shares represent 99.8% of the voting power in Santos. The holdings of the twenty largest holders of shares represent 64.9% of the total voting power in Santos (last year 66.0%).

The 20 largest shareholders in Santos as shown in the company's Register of Members at 18 March 1991 were:

Name	Number of fully paid Shares	% of Voting Capital
ANZ Nominees Ltd.	65,436,506	14.5
National Nominees Ltd.	62,954,311	13.9
Chase AMP Nominees Ltd.	21,020,173	4.7
Bank of New South Wales Nominees Pty. Ltd.	17,488,764	3.9
Australian Mutual Provident Society (No. 1 a/c)	16,981,310	3.7
ANZ Custodians Ltd.	10,262,890	2.3
C T B Nominees Ltd.	9,765,487	2.2
State Authorities Superannuation Board - NSW	9,417,845	2.1
Pendal Nominees Pty. Ltd.	8,986,534	2.0
The National Mutual Life Association Australasia Ltd.	8,790,912	1.9
State Government Insurance Commission - SA	8,184,726	1.8
Citicorp Nominees Pty. Ltd.	7,244,859	1.6
MLC Life Ltd.	7,127,440	1.6
Perpetual Trustees Nominees Ltd.	6,954,085	1.5
Superannuation Fund Investment Trust - ACT	6,857,164	1.5
Australian Mutual Provident Society (No. 2 a/c)	6,557,045	1.4
Queensland Treasury Corporation	5,611,355	1.2
The Colonial Mutual Life Assurance Society Ltd.	5,186,528	1.2
ISMG Nominees Pty. Ltd.	4,714,071	1.0
Government Insurance Office of NSW	4,208,689	0.9
	293,750,694	64.9

The following interest is recorded in the Company's Register of Substantial Shareholders at 18 March, 1991.

Name	Address	No. of voting shares held
Australian Mutual Provident Society	1-3 Phillip Street SYDNEY NSW 2000	36,521,760

The Australian Mutual Provident Society has also notified the Company in accordance with the Securities Amendment Act 1988 (New Zealand) that it is a substantial shareholder by virtue of it having a relevant interest in the abovementioned shares.

Analysis of the Quoted Shares – Range of Shares Held

	Fully Paid Ordinary Shares (Holders)	% of Holders	% of Voting Shares held
*1 - 99	949	3.6	
100 - 1,000	10,742	40.9	1.2
1,001 - 5,000	11,207	42.7	5.6
5,001 -10,000	1,823	7.0	2.8
10,001 & over	1,530	5.8	90.4
Total No.	26,251	100.0	100.0

*holdings of less than a marketable parcel.

For Directors' Shareholdings see Directors' Statutory Report.

Voting Rights

Except as set out in Article 11 detailed below in respect of 'B' Class shares, Articles 83 to 88 of the Company's Memorandum & Articles of Association detail the voting rights of members. The Articles indicate that on a show of hands, every member present in person or by representative shall have one vote and upon a poll subject to certain conditions detailed in the Articles every member present in person or by attorney, proxy or representative shall have one vote for every share held by him. Pursuant to the Rules of the Santos Executive Share Plan, Plan '2' and Plan '0' shares do not carry any voting rights except on a proposal to vary the rights attached to Plan shares.

Article 11 set out below confers special rights to the holders of 'B' Class shares: ' Notwithstanding any other provision of the Articles upon a poll on any resolution to repeal or to amend any of the following provisions, namely, the provisions of Article 2 which define "AGL" and "AGL Subsidiary" and Articles 9, 10, 11, 12, 13, 14, 19, 20, 74, 77, 78, 83, 96, 97, 98 and 143 the 'B' Class shares shall collectively confer on the holders the right to such number of votes as shall be equal to twenty six seventy fourths of the number of votes at a poll conferred by all the other issued shares on the holders thereof and each holding of 'B' Class shares shall confer the right to a rateable proportion of the votes thus collectively conferred.'

Rights of Appointment

(for 'B' Class shareholder)

Article 12 confers the right on AGL and any of its subsidiaries while they hold the majority of the issued 'B' Class shares to appoint one person as a Director. It also confers the right to remove or replace the person it appoints as a Director.

Share Registers

See inside back cover.

Stock Exchange Listings

The company's issued ordinary shares are listed on each of the Exchanges of The Australian Stock Exchange Limited. The home Exchange is The Australian Stock Exchange (Adelaide) Ltd. The Company's shares are also listed on the New Zealand Stock Exchange.

American Depository Receipts issued by Morgan Guaranty against Santos shares held are sponsored and quoted on NASDAQ (National Association of Securities Dealers Inc) in USA under the symbol STOSY. Each ADR unit represents four ordinary SANTOS shares.

Santos Ltd Company Information

Incorporated in Adelaide
South Australia on
18 March 1954.
A.C.N. 007 550 923

Quoted on the official lists of The Australian Stock Exchange Ltd and also the New Zealand Stock Exchange.

Santos American Depository Receipts issued by Morgan Guaranty in USA are sponsored and are quoted on the NASDAQ system in USA.

Registered and Head Office

Santos House, 39 Grenfell Street
Adelaide, South Australia 5000
Telephone (08) 218 5111
Facsimile (08) 212 5476
Telex AA82716

Conversion Factors

Gas
5512.58 ft^3 = 1 BOE
(Heating value) (Reserves only)

LPG
1 tonne = 11.828 barrels
1.3984 barrels of LPG = 1 BOE
(Heating value)

Condensate
1.069 barrels condensate = 1 BOE
(Heating value)

Share Registers

Adelaide
39 Grenfell Street
Adelaide, South Australia 5000

Brisbane
20th Floor, Santos House
215 Adelaide Street
Brisbane, Queensland 4000

Canberra
c/- KPMG Peat Marwick
80 Northbourne Avenue
Canberra City
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