WOODSIDE

Full Financial Report
2005

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CORPORATE INFORMATION

The following information is presented in this independent publication of the Full Financial Report of Woodside Petroleum Ltd. and its Controlled Entities, as required by Australian Accounting Standards.

This information is integrated into the Directors' Report contained in the Concise Annual Report for Woodside Petroleum Ltd. and its Controlled Entities.

Domicile	Australia
Legal form	Limited liability company, limited by shares
Country of incorporation	Australia (Victoria)
Registered office/principal place of business	240 St George's Terrace, Perth Western Australia, 6000
Nature of operations/ principal activities	Exploration, evaluation, development, production and marketing of hydrocarbons
Parent/ultimate parent entity	Woodside Petroleum Ltd.
Number of employees	At 31 December 2005 the Company had 3,054 (2004: 2,528) employees

Income Statement

For the year ended 31 December 2005

	Notes	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Revenue from sale of goods	3(a)	2,746,715	2,124,841	-	-
Cost of sales	3(b)	(854,002)	(744,984)	-	-
Petroleum Resource Rent Tax	3(c)	(123,306)	(56,383)	-	-
Gross profit		1,769,407	1,323,474	-	-
Other revenue	3(d)	22,301	41,298	456,877	359,881
Other income	3(e)	210,100	541,277	18,668	-
Other expenses	3(f)	(478,896)	(276,181)	(27,040)	(9,183)
Profit before income tax and finance costs		1,522,912	1,629,868	448,505	350,698
Finance costs	3(g)	(30,685)	(41,061)	(1,513)	-
Profit before income tax		1,492,227	1,588,807	446,992	350,698
Income tax (expense)/income	4(a)	(384,800)	(442,424)	36,671	(1,362)
Net profit	20	1,107,427	1,146,383	483,663	349,336
Basic and diluted earnings per share (cents)	5	169	175	-	-
Dividend per share (cents)	6(b)	93	59	93	59

The accompanying notes form part of the Full Financial Report.

Balance Sheet

As at 31 December 2005

		Consolidated		Parent	
	Notes	**2005 $000**	2004 $000	**2005 $000**	2004 $000
CURRENT ASSETS					
Cash and cash equivalents	21(a)	**232,904**	797,140	**-**	-
Receivables	7	**358,088**	375,823	**281,988**	313,717
Inventories	8	**56,345**	28,758	**-**	-
Financial and other assets	9	**84,796**	78,595	**-**	-
TOTAL CURRENT ASSETS		**732,133**	1,280,316	**281,988**	313,717
NON-CURRENT ASSETS					
Receivables	7	**-**	-	**525,749**	304,666
Inventories	8	**10,553**	11,489	**-**	-
Financial and other assets	9	**97,005**	118,706	**286,035**	281,412
Exploration and evaluation	10	**694,566**	378,822	**-**	-
Oil and gas properties	11	**5,202,648**	3,520,406	**-**	-
Other plant and equipment	12	**100,925**	110,958	**-**	-
Deferred tax assets	4(d)	**131,547**	25,426	**142**	222
TOTAL NON-CURRENT ASSETS		**6,237,244**	4,165,807	**811,926**	586,300
TOTAL ASSETS		**6,969,377**	5,446,123	**1,093,914**	900,017
CURRENT LIABILITIES					
Payables	13	**632,540**	339,476	**111**	161
Interest-bearing liabilities	14	**31,400**	-	**-**	-
Tax payable	15	**152,773**	51,012	**137,570**	50,795
Financial and other liabilities	16	**43,732**	45,482	**-**	-
Provisions	17	**71,995**	52,562	**-**	-
TOTAL CURRENT LIABILITIES		**932,440**	488,532	**137,681**	50,956
NON-CURRENT LIABILITIES					
Payables	13	**9,404**	13,067	**85,466**	22,827
Interest-bearing liabilities	14	**1,096,127**	1,013,479	**-**	-
Deferred tax liabilities	4(d)	**673,318**	525,904	**-**	-
Financial and other liabilities	16	**356,808**	363,835	**-**	-
Provisions	17	**400,649**	270,237	**363**	344
TOTAL NON-CURRENT LIABILITIES		**2,536,306**	2,186,522	**85,829**	23,171
TOTAL LIABILITIES		**3,468,746**	2,675,054	**223,510**	74,127
NET ASSETS		**3,500,631**	2,771,069	**870,404**	825,890
EQUITY					
Issued and fully paid shares	18(a)	**706,492**	706,492	**706,492**	706,492
Shares held for employee share plan	18(b)	**(148,040)**	(136,890)	**(148,040)**	(136,890)
Other reserves	19	**6,104**	(7,120)	**18,668**	-
Retained earnings	20	**2,936,075**	2,208,587	**293,284**	256,288
TOTAL EQUITY		**3,500,631**	2,771,069	**870,404**	825,890

The accompanying notes form part of the Full Financial Report.

Cash Flow Statement

For the year ended 31 December 2005

	Notes	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**2,817,764**	2,378,241	**-**	-
Interest received		**21,131**	19,164	**10,210**	13,228
Dividends received		**7,033**	8,089	**446,667**	346,667
Payments to suppliers and employees		**(387,154)**	(221,530)[1]	**(7,317)**	(10,243)
Borrowing costs paid		**(8,065)**	(16,741)	**(1,513)**	-
Management and other fees		**21,818**	26,075	**18,668**	(14)
Royalty, excise and PRRT payments		**(376,949)**	(351,694)	**-**	-
Income tax paid		**(369,268)**	(383,421)	**123,526**	(1,020)
Purchase of shares relating to employee share plan		**(59,858)**	(37,277)	**(59,858)**	(37,277)
Payments received from employees relating to employee share plan		**48,216**	39,333	**48,216**	39,333
Net Cash from Operating Activities	21(b)	**1,714,668**	1,460,239	**578,599**	350,674
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for capital and exploration expenditure		**(1,835,333)**	(995,338)	**-**	-
Proceeds from sale of investments		**118,319**	-	**-**	-
Proceeds from sale of exploration and evaluation		**229,835**	200	**-**	-
Proceeds from sale of oil and gas properties		**-**	708,502	**-**	-
Proceeds from sale of other plant and equipment		**240**	18,963	**-**	-
Payments for investments in controlled entities		**(355,639)**	(64,535)	**(5,658)**	(2,359)
Payments for investments in other entities		**(1,999)**	(23,945)	**-**	-
Net Cash used in Investing Activities		**(1,844,577)**	(356,153)	**(5,658)**	(2,359)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		**170,323**	-	**-**	-
Repayment of borrowings		**(180,518)**	-	**-**	-
Advances (to)/from controlled entities		**-**	-	**(126,274)**	(1,648)
Dividends paid		**(446,667)**	(346,667)	**(446,667)**	(346,667)
Payments for finance lease liabilities		**(4,952)**	(4,952)	**-**	-
Net Cash used in Financing Activities		**(461,814)**	(351,619)	**(572,941)**	(348,315)
NET INCREASE/(DECREASE) IN CASH HELD		**(591,723)**	752,467	**-**	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**797,140**	122,691	**-**	-
Effects of exchange rate changes on the balances of cash held in foreign currencies		**27,487**	(78,018)[1]	**-**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	21(a)	**232,904**	797,140	**-**	-

(1) Unrealised exchange fluctuations have been reclassified in the 2004 comparative ($99.2 million).

The accompanying notes form part of the Full Financial Report.

Statement of Changes in Equity

For the year ended 31 December 2005

Consolidated	Issued and fully paid shares $000	Shares held for employee share plan $000	Other reserves (Note 19) $000	Retained earnings (Note 20) $000	Total equity $000
Balance at 1 January 2004	706,492	(138,987)	-	1,408,871	1,976,376
Employee share plan purchases	-	(37,277)	-	-	(37,277)
Employee share plan redemptions	-	34,504	-	-	34,504
Dividends applied	-	4,870	-	-	4,870
Currency translation differences	-	-	(7,120)	-	(7,120)
Amounts recognised directly in equity	-	2,097	(7,120)	-	(5,023)
Net profit for the year	-	-	-	1,146,383	1,146,383
Dividends	-	-	-	(346,667)	(346,667)
Balance at 31 December 2004	706,492	(136,890)	(7,120)	2,208,587	2,771,069
Adoption of new accounting standards relating to financial instruments	-	-	34,969	66,728	101,697
Balance at 1 January 2005	706,492	(136,890)	27,849	2,275,315	2,872,766
Employee share plan purchases	-	(59,858)	-	-	(59,858)
Employee share plan redemptions	-	42,989	-	-	42,989
Dividends applied	-	5,719	-	-	5,719
Cost of share-based payment	-	-	18,668	-	18,668
Currency translation differences	-	-	7,850	-	7,850
Cash flow hedges	-	-	(20,794)	-	(20,794)
Available-for-sale financial assets	-	-	(27,469)	-	(27,469)
Amounts recognised directly in equity	-	(11,150)	(21,745)	-	(32,895)
Net profit for the year	-	-	-	1,107,427	1,107,427
Dividends	-	-	-	(446,667)	(446,667)
Balance at 31 December 2005	**706,492**	**(148,040)**	**6,104**	**2,936,075**	**3,500,631**

The accompanying notes form part of the Full Financial Report.

Statement of Changes in Equity

For the year ended 31 December 2005

Parent	Issued and fully paid shares $000	Shares held for employee share plan $000	Employee benefits reserve $000	Retained earnings (Note 20) $000	Total equity $000
Balance at 1 January 2004	706,492	(138,987)	-	253,619	821,124
Employee share plan purchases	-	(37,277)	-	-	(37,277)
Employee share plan redemptions	-	34,504	-	-	34,504
Dividends applied	-	4,870	-	-	4,870
Amounts recognised directly in equity	-	2,097	-	-	2,097
Net profit for the year	-	-	-	349,336	349,336
Dividends applied	-	-	-	(346,667)	(346,667)
Balance at 31 December 2004	706,492	(136,890)	-	256,288	825,890
Balance at 1 January 2005	706,492	(136,890)	-	256,288	825,890
Employee share plan purchases	-	(59,858)	-	-	(59,858)
Employee share plan redemptions	-	42,989	-	-	42,989
Dividends applied	-	5,719	-	-	5,719
Cost of share-based payment	-	-	18,668	-	18,668
Amounts recognised directly in equity	-	(11,150)	18,668	-	7,518
Net profit for the year	-	-	-	483,663	483,663
Dividends	-	-	-	(446,667)	(446,667)
Balance at 31 December 2005	**706,492**	**(148,040)**	**18,668**	**293,284**	**870,404**

The accompanying notes form part of the Full Financial Report.

Notes to and forming part of the Full Financial Report

For the year ended 31 December 2005

1. General Information

The financial report of Woodside Petroleum Ltd. for the year ended 31 December 2005 was authorised for issue in accordance with a resolution of the directors on 15 February 2006.

Woodside Petroleum Ltd. is a company limited by shares, domiciled and incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of Woodside Petroleum Ltd. and its subsidiaries ('the Group' or 'Woodside') are the exploration, evaluation, development, production and marketing of hydrocarbons.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and other mandatory professional reporting requirements. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ('AIFRS').

The financial report has been prepared on a historical cost basis, except for derivative financial instruments, available-for-sale financial assets and certain interest-bearing liabilities, which have been measured at fair value.

The financial report is presented in Australian Dollars. The amounts in the financial report and Directors' Report are rounded to the nearest thousand dollars ($000), unless otherwise stated.

The accounting policies set out below, including the change in accounting policy referred to in Note 2(ad), have been consistently applied to all periods presented in the consolidated financial report, with the exception of the treatment of financial instruments, where comparative amounts are presented according to the previous Group accounting policy (refer Note 2(ae)).

The directors have elected to apply UIG4 *Determining whether an Arrangement contains a Lease* and AASB 2005-5, effective 1 January 2004 even though the pronouncements are not required to be applied until subsequent reporting periods. Recently issued or amended Australian Accounting Standards not yet effective and not adopted for the year ended 31 December 2005, are not expected to result in significant accounting policy changes.

(b) Statement of Compliance

The financial report complies with AIFRS. Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first year end financial report prepared based on AIFRS. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the Group and the Parent is provided in Note 35.

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at 31 December each year. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date at which control is transferred out of the Group.

At acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Investments in subsidiaries are carried at cost in the Company's financial statements.

All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full.

2. Summary of Significant Accounting Policies (continued)

(d) Revenue

Product revenue

Revenues earned from the sale of oil, gas and condensate produced is recognised when the risks and rewards of ownership of the product are transferred to the customer. This policy is applied to the Group's different operating arrangements as follows:

- Revenue earned under a lease or licence conferring ownership rights to production in which the Group has a working interest with other producers, is recognised in earnings on the basis of the Group's interest in the relevant lease or licence ('entitlements' method). Refer Note 2(ad) for the change in accounting policy. Revenue is not reduced for royalties and other taxes payable from production, except where royalties are payable 'in kind'.
- Revenue from 'take or pay' contracts is recognised in earnings when the product has been drawn by the customer or recorded as unearned revenue when not drawn by the customer.
- Revenue earned under a risk service contract is recognised when the Group has a legally enforceable entitlement to the proceeds.
- Revenue earned under a production sharing contract is recognised on the basis of the Group's share of oil, gas or condensate allocated to the contractor party or parties under the contract.

Interest revenue

Interest revenue is recognised as interest accrues using the 'effective interest' method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

Dividend revenue

Dividend revenue is recognised when the right to receive payment is established.

(e) Exploration and Evaluation

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. The Group's application of the accounting policy for the cost of exploring and of evaluating discoveries is closely aligned to the US GAAP-based 'successful efforts' method.

Exploration licence acquisition costs are capitalised and subject to half-yearly impairment testing.

All exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs, are expensed as incurred except where:

- the expenditure relates to an exploration discovery that, at balance date, has not been recognised as an area of interest, as assessment of the existence or otherwise of economically recoverable reserves is not yet complete; or
- an area of interest is recognised, and it is expected that the expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons and the recognition of an area of interest. Areas of interest are recognised at the field level. Subsequent to the recognition of an area of interest, all further costs relating to that area of interest are capitalised.

Each potential or recognised area of interest is reviewed half yearly to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs.

Upon approval for the commercial development of an area of interest, accumulated expenditure for the area of interest is transferred to oil and gas properties.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

AASB 6 *Exploration for and Evaluation of Mineral Resources* has been applied effective 1 January 2004.

2. Summary of Significant Accounting Policies (continued)

(f) Oil and Gas Properties

Oil and gas properties are carried at cost and include construction, installation or completion of infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation costs, and the cost of development wells.

Subsequent capital costs, including repairs and maintenance, are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Otherwise costs are charged to the income statement during the financial period in which they are incurred.

(g) Other Plant and Equipment

Other plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

(h) Depreciation and Amortisation

Oil and gas properties and other plant and equipment are depreciated to their estimated residual values at rates based on their expected useful life. The major categories of assets are depreciated as follows:

Category	Method	Estimated useful life (years)
Land and buildings	Straight line over useful life	40
Transferred exploration and evaluation and off-shore plant and equipment	Units-of-production basis over proved plus probable reserves	5-50
On-shore plant and equipment	Straight line over the lesser of useful life and the life of proved plus probable reserves	40
Marine vessels	Straight line over useful life	10-40
Other plant and equipment	Straight line over useful life	5-15

(i) Impairment of Assets

The carrying amounts of all assets, other than inventory and deferred tax assets, are reviewed half yearly to determine whether there is an indication of an impairment loss. If any such indication exists, the asset's recoverable amount is estimated. For any asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is written down. Generally, the Group evaluates its oil and gas properties on a field-by-field basis.

The recoverable amount of an asset is determined as the higher of its net selling value and value in use. Value in use is determined by estimating future cash flows and discounting them to their present value using a risk adjusted pre-tax discount rate appropriate to the risks inherent in the asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. Summary of Significant Accounting Policies (continued)

(j) Derivative Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments such as swaps, options, futures and forward contracts to hedge its risks associated with commodity price, interest rate and foreign currency fluctuations.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value in line with market fluctuations. The unrealised gain or loss on remeasurement is immediately recognised in the income statement, except where hedge accounting applies. The fair values of derivative financial instruments that are traded on an active market are based on quoted market prices at the balance sheet date. The fair values of financial instruments not traded on an active market are determined using appropriate valuation techniques.

Hedge accounting

When a derivative is designated as a hedge for accounting purposes, the Group documents the relationship between the derivative and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedge type and risk	Accounting treatment
Fair Value Hedge	
Exposure to changes in the fair value of a recognised asset or liability or committed transaction.	Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged risk that is attributable to the asset or liability or committed transaction.
Cash Flow Hedge	
Exposure to variability in cash flows associated with or a highly probable forecasted transaction or a committed transaction.	The effective portion of changes in the fair value of derivatives are recognised in equity in the hedging reserve. The gain or loss relating to any ineffective portion is recognised in the income statement immediately. Amounts accumulated in equity are taken to the income statement in the periods when the hedged item affects income, for instance, when the forecast sale that is hedged takes place.
Hedge of Net Investment	
Exposure to changes in the net assets of foreign operations from foreign exchange movements.	The accounting treatment is substantially similar to a cash flow hedge.

Hedge accounting is discontinued when the hedging instrument expires or no longer qualifies for hedge accounting or is terminated. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the year.

Embedded Derivatives

Derivatives embedded in the Group's contracts that change the nature of a host contract's risk are separately recorded at fair value with movements reported in the income statement.

(k) Provision for Restoration

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related oil and gas properties. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in oil and gas properties is depreciated over the useful life of the related asset (refer Note 2(h)).

Costs incurred that relate to an existing condition caused by past operations, and do not have a future economic benefit, are expensed.

2. Summary of Significant Accounting Policies (continued)

(l) Joint Ventures

The Group's interests in unincorporated joint venture assets are accounted for by recognising its proportionate share in assets and liabilities from joint ventures, except where as operator Woodside takes on the role as independent contractor. In these instances, joint venture assets are brought to account on a gross basis.

Joint venture expenses and the Group's entitlement to production are recognised on a pro rata basis according to the Group's joint venture interest.

Investments in joint venture entities are accounted for using the equity method of accounting. Under the equity method, the cost of the investment is adjusted by the Group's proportionate share of the results of the venture.

(m) Borrowing Costs

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Assets are considered to be qualifying assets when this period of time is substantial (greater than 12 months). The interest rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year.

(n) Foreign Currency

The functional currency and presentation currency of Woodside Petroleum Ltd. and the majority of its Australian subsidiaries is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at balance date are translated at the rates of exchange ruling at balance sheet date.

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in subsidiaries with a functional currency other than Australian dollars. These are taken directly to the foreign currency translation reserve until the disposal of the net investment, at which time they are recognised in the income statement.

Foreign subsidiaries and some Australian subsidiaries have a functional currency other than Australian dollars (usually US dollars) as a result of the economic environment in which they operate. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of Woodside Petroleum Ltd. at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the reporting period or at the exchange rates ruling at the date of the transaction.

The exchange differences arising on the translation of foreign subsidiaries are taken to the foreign currency translation reserve.

On disposal of a subsidiary with a functional currency other than Australian dollars, the deferred cumulative amount recognised in the foreign currency translation reserve relating to that particular subsidiary is recognised in the income statement.

(o) Leases

Assets held under leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are treated as finance leases. Finance leases are capitalised at the inception of the lease, at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement over the lease term.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease assets are not capitalised and payments are recognised in the income statement as an expense over the lease term. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

2. Summary of Significant Accounting Policies (continued)

(p) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and short term deposits with an original maturity of three months or less. Cash on hand, cash at bank and short term deposits are stated at nominal value. Cash also includes the Group's share of cash held as operator of joint ventures.

For the purposes of the cash flow statement, cash and cash equivalents are reported net of outstanding bank overdrafts. Interest is charged as an expense using the 'effective yield' method.

(q) Trade and Other Receivables

Trade and other receivables, including receivables from related parties, are stated at their cost less impairment losses (refer Note (2i)).

(r) Inventories

Inventories include hydrocarbon stocks, consumable supplies and maintenance spares. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes direct costs and an appropriate portion of fixed and variable overheads. Inventories determined to be obsolete or damaged are written down to net realisable value.

(s) Investments

Investments are classified as either available-for-sale or held for trading and are initially recognised at fair value plus acquisition charges, as appropriate.

After initial recognition, investments are remeasured to fair value. Changes in available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative change in fair value, previously reported in equity, is included in earnings. Changes in held for trading investments are recognised in earnings.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. Where investments are not actively traded, fair value is established by using other market accepted valuation techniques.

(t) Investments in Associates

The Group's investment in its associates is accounted for under the equity method of accounting in the consolidated financial statements. An associate is an entity in which the Group has significant influence and is neither a subsidiary nor a joint venture.

The financial statements of associates, prepared for the same reporting period as the Group and applying consistent accounting policies, are used by the Group to apply the equity method. The investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Group's share of the associate's after tax profit or loss from operations.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable, in the Consolidated Statement of Changes in Equity.

(u) Employee Provisions

Provision is made for employee benefits accumulated as a result of employees rendering services up to the end of the reporting period. These benefits include wages and salaries, annual leave and long service leave. Liabilities expected to be settled within twelve months of the reporting date are measured at the amount expected to be paid. Liabilities expected to be settled after twelve months are measured at the present value of the estimated future cash outflow to be made to the employee.

In determining the present value of future cash outflows, the market yield attaching to government bonds which have terms to maturity approximating the terms of the related liability are used.

Provision is made for Directors' retiring allowance in accordance with the rules approved by shareholders.

Notes to and forming part of the Full Financial Report

For the year ended 31 December 2005

2. Summary of Significant Accounting Policies (continued)

(v) Share-Based Payments

The Group provides benefits to employees of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). Currently, the Group operates two schemes being the Woodside Employee Share Plan ('WESP') and the Executive Incentive Plan ('EIP'). The acquisition of shares on market under these plans is recognised as shares held for employee share plan. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and recognised on a straight line basis over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). Fair value is determined by using a binomial or Black - Scholes option pricing model.

(w) Retirement Benefits

All employees of the Group are entitled to benefits upon exiting the Group's superannuation plan due to retirement, disability or death. The Group has a defined benefit component and a defined contribution component within the plan.

The defined benefit component provides defined lump sum benefits based on years of service and final average salary. A liability or asset in respect of the defined benefit component of the superannuation plan is recognised in the balance sheet and is measured at the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date. The defined benefit obligation includes actuarial estimates of future variables such as employee turnover and the plan's rate of return. The cost of the defined benefit component is charged to the income statement systematically over the employee's service life. Gains and losses arising from changes in actuarial estimates are recognised immediately as income or expense in the income statement.

The defined contribution component receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. Contributions to the defined contribution fund are recognised as an expense as incurred.

(x) Financial Liabilities

Borrowings are initially recognised at fair value less transaction costs. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Trade and other creditors are recognised at cost when goods and services are received, whether or not billed to the Group.

Dividends payable are recognised when declared by the Group.

(y) Income Tax

Income tax expense on the profit or loss for the year comprises current and deferred tax expense.

Current tax expense is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years.

Temporary differences arise between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax expense is determined based on changes in temporary differences.

Deferred tax assets and liabilities are recognised for temporary differences using the balance sheet liability method, at the tax rates expected to apply when the assets are realised or liabilities are settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that sufficient future taxable income will be available to utilise those temporary differences and losses.

Tax Consolidation

The parent and its wholly owned Australian controlled entities elected to enter into tax consolidation effective 1 January 2004, with Woodside Petroleum Ltd., as the head entity of the tax-consolidated group.

The tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group, using the 'single taxpayer' approach.

2. Summary of Significant Accounting Policies (continued)

(z) Petroleum Resource Rent Tax

Petroleum Resource Rent Tax (PRRT) is considered, for accounting purposes, to be a tax based on income. Accordingly, PRRT is measured on the same basis as income tax which is described in Note 2(y).

(aa) Royalties and Excise Duty

Royalties and excise duty under existing regimes are considered to be production-based taxes and are therefore accrued on the basis of the Group's entitlement to physical production.

(ab) Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of GST, except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

(ac) Issued Capital

Ordinary share capital is recorded at the value of consideration received. The costs of issuing shares are charged against share capital.

(ad) Voluntary Change in Accounting Policy

Entitlements method of revenue recognition

From 1 January 2005, the Group changed its accounting policy in relation to the recognition of revenues from oil and gas operations. The Group now recognises revenues from sale of goods under the 'entitlements method', which adjusts sales to reflect the working interest in the relevant lease or licence. Previously, the Group recorded actual sales without adjusting for its working interest. Accounting for oil and gas revenues using the entitlements method is common within the oil and gas industry. The impact of the change in accounting policy is quantified and disclosed in Note 35, and is reflected in comparative amounts. There is no significant impact on the Group's basic earnings per share.

(ae) Comparative Information – Financial Instruments

The Group has elected not to restate comparative information for financial instruments within the scope of Accounting Standards AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*, as permitted on the first-time adoption of AIFRS.

As a result, comparative amounts are measured and presented according to the previous Group accounting policies presented in the 31 December 2004 Full Financial Report. Below is a summary of policies relevant to financial instruments:

All open derivative financial instruments designated as a hedge are measured on a fair value basis and deferred in the balance sheet until settlement. Future margin requirements are also recognised in the balance sheet until settlement. Settlements are accounted for on the same basis as the underlying physical exposure being hedged. Accordingly, hedging settlements are recognised in the income statement at the same time as the underlying exposure. Discounts or premiums arising on entry to specific hedge transactions are deferred and amortised over the life of the hedge.

In addition to derivative instruments, foreign currency loans are used as a hedge against future foreign currency sales revenues. Unrealised gains or costs arising from the revaluation of these loans are deferred in the balance sheet and brought to account in the income statement in the year that designated sales transactions occur.

Investments in controlled and other entities are carried at the lower of cost and recoverable amount. Investments in associated entities are carried at the lower of equity accounted amount and recoverable amount in the consolidated financial statements and the lower of cost and recoverable amount in the parent entity's financial statements.

2. Summary of Significant Accounting Policies (continued)

(ae) Comparative Information – Financial Instruments (continued)

Corporate debt, loans debentures and notes payable are initially recorded at the principal amount. Interest is charged as an expense as it accrues. Debt establishment costs are carried forward and amortised over the lives of the financing facilities. Any discount on issue of loans, debentures and notes payable are amortised over the period to maturity.

Trade and other receivables, creditors and accruals are recognised at the nominal amount receivable/payable.

The effect of changes in the accounting policies for financial instruments on the balance sheet as at 1 January 2005 is detailed in Note 35.

The following financial assets were designated as available-for-sale on adoption of AASB 139. These financial assets were previously measured at cost less provision for diminution:

	Consolidated	
	Fair value at 1/1/05 $000	Carrying amount at 31/12/04 $000
Financial assets		
Shares – listed	**121,511**	71,464
Shares – unlisted	**6,551**	5,222

The following transitional provisions have an effect on future periods:

(i) The effectiveness of hedging relationships is assessed from 1 January 2005; no adjustment is made in relation to hedges under the superseded policies which were not highly effective before 1 January 2005.

(ii) Embedded derivatives are recognised and measured from 1 January 2005.

The main adjustments necessary that would make the comparative financial statements comply with AASB 132 and AASB 139 are listed below:

(i) The measurement of available-for-sale financial assets at fair value, with changes in fair value recognised in equity, rather than at cost in accordance with the previous policy.

(ii) The measurement of financial liabilities at amortised cost, rather than at cost in accordance with the previous policy.

(iii) The recognition and measurement of all derivatives (including any embedded derivatives) at fair value.

(iv) The recognition in the Income Statement of the movement in the fair value of derivatives which did not qualify for hedge accounting according to the new standards or were not designated as hedging instruments.

(v) The transfer of deferred hedging gains and losses, recognised as assets and liabilities arising from a cash flow hedge of a forecast transaction, to the hedging reserve.

(vi) The derecognition of other deferred hedging gains and losses recognised as assets and liabilities.

(vii) The deferral, into equity, of the effective portion of the movement in fair value of derivatives accounted for as a cash flow hedge.

(viii) The recognition, in the Income Statement, of the ineffective portion of the movement in fair value of hedging instruments accounted for as a cash flow hedge.

(ix) The recognition, in the Income Statement, of the movement in the fair value of derivatives accounted for as a fair value hedge and the fair valuing of hedged items.

(x) The adjustment to the carrying amount of certain interest-bearing liabilities, to fair value the interest rate risk within those interest-bearing liabilities.

(xi) The recognition of any current or deferred taxes in relation to the adjustments described above.

It is not practicable for the Parent and the Consolidated Entity to detail the amounts of the adjustments to the income statement and to opening retained earnings for the comparative had the new accounting policies been applied from the beginning of the comparative period. In addition, it is not practicable for the Parent and the Consolidated Entity to detail for the current period, the amounts of the adjustments resulting to each financial statement line item as a consequence of applying accounting policies specified elsewhere in Note 2.

Notes to and forming part of the Full Financial Report

For the year ended 31 December 2005

2. Summary of Significant Accounting Policies (continued)

(af) Critical Accounting Estimates, Assumptions and Judgements

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Equally, the Group continually employs judgement in the application of its accounting policies.

(i) Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(1) Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs.

The carrying value of oil and gas properties, exploration and evaluation and other plant and equipment as at 31 December 2005 is $5,998,139,000 (2004: $4,010,186,000).

(2) Restoration obligations

The Group estimates the future removal costs of offshore oil and gas platforms, production facilities, wells and pipelines at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows. For more detail regarding the policy in respect of provision for restoration refer to Note 2(k).

Restoration obligations have a carrying value as at 31 December 2005 of $390,424,000 (2004: $247,726,000).

(3) Reserve estimates

Estimates of recoverable quantities of proven and probable reserves that we report include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors we use to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, depletion and amortisation charged to the income statement and the calculation of inventory. We prepare reserve estimates in accordance with Woodside's Hydrocarbon Resource Inventory Management Process and guidelines prepared by the Society of Petroleum Engineers.

(ii) Critical Judgements in Applying the Group's Accounting Policies

(1) Exploration and evaluation

The group's accounting policy for exploration and evaluation is set out at Note 2(e). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, we conclude that we are unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the Income Statement.

The carrying amount of exploration and evaluation as at 31 December 2005 is $694,566,000 (2004: $378,822,000).

(2) United States of America tax assets

The Group has recognised a deferred tax asset of $95,347,000 in respect of tax losses and temporary differences associated with the Gulf of Mexico. In accordance with the recognition criteria outlined in AASB 112 *Income Taxes*, the Group has exercised its judgement in deciding that it is probable that sufficient future taxable income will be available to utilise the tax assets.

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
3. Revenues and Expenses				
(a) Revenues from continuing operations				
Revenue from sale of goods				
Liquefied natural gas and domestic gas				
Australia	**959,654**	729,391	**-**	-
United States	**25,848**	-	**-**	-
Condensate – North West Shelf	**628,433**	463,074	**-**	-
Condensate – Ohanet	**42,708**	46,628	**-**	-
Condensate – United States of America	**1,932**	-	**-**	-
Oil – Laminaria	**314,902**	264,333	**-**	-
Oil – North West Shelf	**376,826**	308,326	**-**	-
Oil – Legendre	**146,858**	223,248	**-**	-
Oil – Mutineer Exeter	**128,775**	-	**-**	-
Oil – United States of America	**211**	-	**-**	-
Liquefied petroleum gas – North West Shelf	**92,096**	59,401	**-**	-
Liquefied petroleum gas – Ohanet	**28,472**	30,440	**-**	-
Total revenues from continuing operations	**2,746,715**	2,124,841	**-**	-
(b) Cost of sales				
Cost of production				
Production costs	**(184,915)**	(147,326)	**-**	-
Royalty and excise	**(294,263)**	(268,629)	**-**	-
Third party gas	**(241)**	(1,156)	**-**	-
Insurance	**(33,110)**	(13,059)	**-**	-
Inventory movement	**3,823**	5,948	**-**	-
	(508,706)	(424,222)	**-**	-
Shipping and marketing costs				
Liquefied natural gas shipping	**(61,533)**	(39,986)	**-**	-
Other liquids shipping	**-**	(4,887)	**-**	-
Marketing and sales administration	**(19,324)**	(14,122)	**-**	-
	(80,857)	(58,995)	**-**	-
Oil and gas properties depreciation and amortisation				
Land and buildings	**(8,627)**	(11,681)	**-**	-
Transferred exploration and evaluation	**(5,769)**	(14,459)	**-**	-
Plant and equipment	**(238,769)**	(230,199)	**-**	-
Marine vessels and carriers	**(11,274)**	(7,813)	**-**	-
	(264,439)	(264,152)	**-**	-
Fair value adjustment of restoration obligations	**-**	2,385	**-**	-
Total cost of sales	**(854,002)**	(744,984)	**-**	-
(c) Petroleum Resource Rent Tax	**(123,306)**	(56,383)	**-**	-
Gross profit	**1,769,407**	1,323,474	**-**	-

	Consolidated		Parent	
	2005 $000	2004 $000	**2005 $000**	2004 $000
3. Revenues and Expenses (continued)				
(d) Other revenue from continuing operations				
Finance income				
Interest				
Bank	**12,458**	8,853	**-**	-
Controlled entities	**-**	-	**3,037**	3,681
Other entities	**9,368**	31,716	**7,173**	9,533
Dividends				
Controlled entities	**-**	-	**446,667**	346,667
Other entities	**475**	729	**-**	-
Total other revenue from continuing operations	**22,301**	41,298	**456,877**	359,881
(e) Other income				
Management and other fees – other entities	**50,306**	34,637	**18,668**	-
Share of associates' net profit	**6,142**	1,660	**-**	-
Exchange gains/(losses) on cash balances	**27,487**	(78,018)	**-**	-
Profit on disposal of:				
Exploration and evaluation	**16,010**	210	**-**	-
Oil and gas properties	**-**	569,525	**-**	-
Investments	**51,899**	-	**-**	-
Gains/(losses) on derivative financial instruments	**14,868**	(2,672)	**-**	-
Defined benefit superannuation plan surplus	**13,208**	12,170	**-**	-
Change in fair value of embedded derivatives	**30,173**	-	**-**	-
Other	**7**	3,765	**-**	-
Total other income	**210,100**	541,277	**18,668**	-

	Consolidated		Parent	
	2005 $000	2004 $000	**2005 $000**	2004 $000
3. Revenues and Expenses (continued)				
(f) Other expenses				
Exploration and evaluation				
Exploration	**(264,671)**	(220,444)	**-**	-
Amortisation of licence acquisition costs	**(26,980)**	(24,554)	**-**	-
Evaluation	**(14,747)**	(8,264)	**-**	-
Total exploration and evaluation	**(306,398)**	(253,262)	**-**	-
Corporate and business development	**(112,206)**	(69,891)	**(26,019)**	(8,716)
Other costs				
Depreciation of other plant and equipment	**(15,506)**	(13,261)	**-**	-
Foreign exchange gains/(losses)	**(44,786)**	69,114	**14**	10
Diminution in value of investments in controlled entities	**-**	-	**(1,035)**	(477)
Fair value adjustment of gas purchase commitments	**-**	(4,408)	**-**	-
Impairment of exploration and evaluation assets	**-**	(4,046)	**-**	-
Net loss on sale of assets – other plant and equipment	**-**	(427)	**-**	-
Total other costs	**(60,292)**	46,972	**(1,021)**	(467)
Total other expenses	**(478,896)**	(276,181)	**(27,040)**	(9,183)
(g) Finance costs				
Borrowing costs	**(15,260)**	(28,754)	**(1,513)**	-
Unwinding of fair value discount	**(15,425)**	(12,307)	**-**	-
Total finance costs	**(30,685)**	(41,061)	**(1,513)**	-
Profit before income tax	**1,492,227**	1,588,807	**446,992**	350,698

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
4. Income Tax				
(a) Tax expense/(income) comprises:				
Current tax expense	534,470	364,980	336	929
Under/(over) provided in prior years	(8,020)	(608)	69	6
Deferred tax expense/(income) relating to the movement in temporary differences:				
- Decrease in deferred tax assets	-	-	80	427
- (Decrease)/increase in deferred tax liabilities	1,627	103,478	-	-
Benefit arising from previously unrecognised tax assets or temporary differences used to reduce				
- Current tax expense	(37,156)	-	(37,156)	-
- Deferred tax expense	(106,121)	(25,426)	-	-
Total tax expense/(income) reported in the income statement	384,800	442,424	(36,671)	1,362

(b) Reconciliation of income tax expense to prima facie tax payable

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Profit before income tax	1,492,227	1,588,807	446,992	350,698
Income tax expense calculated at 30% (2004: 30%)	447,668	476,642	134,098	105,209
Tax effect of amounts which are not deductible/ (assessable) in calculating taxable income				
- Non-deductible expenses	1,348	5,930	318	144
- Foreign exploration tax losses not brought to account	75,827	43,223	-	-
- Sale of assets	(21,680)	(153,087)	(37,156)	-
- Research and development	(4,662)	(978)	-	-
- intercompany dividends	-	-	(134,000)	(104,000)
- Tax rate differential on non-Australian income	3,342	12,409	-	-
- Other	(2,902)	12,599	-	3
Recognition of tax expense upon formation of tax consolidation group and resetting tax values	-	71,720	-	-
Foreign tax assets brought to account	(106,121)	(25,426)	-	-
Under/(over) provision of income tax in previous years	(8,020)	(608)	69	6
Income tax expense/(income) attributable to profit from ordinary activities	384,800	442,424	(36,671)	1,362

The tax rate used in the above reconciliation is that applied to resident companies pursuant to the income tax statutes in force in Australia as at the reporting date.

(c) Income tax recognised directly in equity

The following deferred amounts were charged/(credited) directly to equity during the period:

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Deferred tax	(26,067)	12,031	-	-

	Balance at 1 January $000	Charged / (credited) to income $000	Charged / (credited) to equity $000	Acquisitions /(disposals) $000	Balance at 31 December $000
4. Income Tax (continued)					
(d) Deferred tax					
Consolidated					
2005					
Deferred tax assets					
Arising from temporary differences and tax losses					
- Foreign jurisdictions	25,426	106,121	-	-	**131,547**
Deferred tax liabilities					
Arising from temporary differences					
- Exploration and evaluation	35,298	61,242	-	57,119	153,659
- Oil and gas properties	562,782	(8,432)	-	91,750	646,100
- Financial instruments	115,304	(5,152)	(26,067)	-	84,085
- Other liabilities	(56,083)	8,699	-	(10,214)	(57,598)
- Provisions	(104,060)	(28,005)	-	-	(132,065)
- Other	15,444	6,509	-	(42,816)	(20,863)
	568,685	34,861	(26,067)	95,839	**673,318**
2004					
Deferred tax assets					
Arising from temporary differences and tax losses					
- Foreign jurisdictions	-	25,426	-	-	25,426
Deferred tax liabilities					
Arising from temporary differences					
- Exploration and evaluation	137,735	(56,961)	-	(45,476)	35,298
- Oil and gas properties	437,036	131,384	-	(5,638)	562,782
- Financial instruments	71,113	(10,621)	12,031	-	72,523
- Other liabilities	(74,735)	(1,402)	-	20,054	(56,083)
- Provisions	(91,273)	(12,787)	-	-	(104,060)
- Other	(69,481)	84,925	-	-	15,444
	410,395	134,538	12,031	(31,060)	525,904
Parent					
2005					
Deferred tax assets					
Arising from temporary differences					
- Provisions	103	6	-	-	109
- Other	119	(86)	-	-	33
	222	(80)	-	-	**142**
2004					
Deferred tax assets					
Arising from temporary differences					
- Provisions	554	(451)	-	-	103
- Other	95	24	-	-	119
	649	(427)	-	-	222

4. Income Tax (continued)

	Consolidated		Parent	
	2005 $000	2004 $000	**2005 $000**	2004 $000
(e) Unrecognised deferred tax assets				
Deferred tax assets have not been recognised for the following items:				
Unused tax losses				
- Revenue	**95,420**	88,743	**-**	-
- Capital	**18,359**	29,327	**18,359**	29,327
Unused tax credits	**17,073**	17,073	**17,073**	17,073
Temporary differences associated with investments	**12,695**	12,253	**-**	-
Other temporary differences	**1,620**	405	**-**	-
	145,167	147,801	**35,432**	46,400

(f) Tax losses

At balance sheet date the Group has unused tax losses and credits of $636,325,000 (2004: $488,486,000) that are available for offset against future taxable profits. A deferred tax asset has been recognised of $131,547,000 (2004: $25,426,000) because it is probable that sufficient future taxable profit will be available for use against such losses. No deferred tax asset has been recognised in respect of the remaining tax losses and credits due to the uncertainty of future profit streams. Included in unrecognised tax losses and credits are losses of $183,886,000 (2004: $190,251,000) that will begin to expire in 2021 and tax credits of $17,073,000 (2004: $17,073,000) that will begin to expire in 2009. Other losses and credits are carried forward indefinitely.

(g) Tax consolidation

The parent and its wholly-owned Australian controlled entities elected to enter tax consolidation, effective 1 January 2004, with Woodside Petroleum Ltd. as the head entity of the tax-consolidated group. The members of the tax-consolidated group are identified at Note 34.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Woodside Petroleum Ltd. and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax-sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities, should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax-sharing agreement is considered remote.

	Consolidated 2005	Consolidated 2004
5. Earnings per Share		
Net profit ($000)	**1,107,427**	1,146,383
Weighted average number of shares on issue [(1)]	**655,150,640**	653,790,795
Basic and diluted earnings per share from continuing operations (cents)[(2)]	**169**	175

(1) There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

(2) Earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Weighted average number of shares makes allowance for shares held for the employee share plan. Diluted earnings per share is not significantly different from basic earnings per share.

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
6. Dividends Paid and Proposed				
(a) Dividends paid during the year				
Current year fully franked interim dividend 35 cents, paid 23 September 2005 (2004: 27 cents, paid 24 September 2004)	**233,333**	180,000	**233,333**	180,000
Prior year fully franked final dividend 32 cents, paid 23 March 2005 (2004: 25 cents, paid 26 March 2004)	**213,334**	166,667	**213,334**	166,667
	446,667	346,667	**446,667**	346,667
(b) Dividend declared (not recorded as a liability)				
Fully franked final dividend 58 cents, to be paid 22 March 2006 (2004: 32 cents, paid 23 March 2005)	**386,667**	213,333	**386,667**	213,333
Dividend per share in respect of financial year (cents)	**93**	59	**93**	59
(c) Franking credit balance				
Franking credits available for the subsequent financial year arising from:				
Franking account balance as at the beginning of the financial year	**697,988**	531,080	**697,988**	531,080
Current year tax payment instalments and adjustments	**325,550**	291,254	**325,550**	291,254
Franked dividends received	**213**	359	**213**	359
Interim dividends paid	**(99,999)**	(77,143)	**(99,999)**	(77,143)
Franking account balance as at the end of the financial year	**923,752**	745,550	**923,752**	745,550
Current year income tax payable	**137,570**	43,867	**137,570**	43,867
Dividend declared	**(165,714)**	(91,429)	**(165,714)**	(91,429)
Franking account balance after payment of current year tax and dividends	**895,608**	697,988	**895,608**	697,988

7. Receivables (Current)

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Trade receivables [1]	211,604	54,397	-	-
Other receivables [2]				
Controlled entities	-	-	281,456	313,676
Other entities	138,788	122,604	532	41
Dividends receivable [3]				
Other entities	7,222	6,558	-	-
Accrued interest income [4]	474	789	-	-
Deferred proceeds on sale – other entities [5]	-	191,475	-	-
	358,088	375,823	281,988	313,717

(1) Denominated in a mixture of Australian and US dollars, are interest-free, and are on settlement terms of between 10 and 30 days.

(2) Receivables are interest-free with various maturities.

(3) Dividends receivable from other entities are receivable within 30 days of period end.

(4) Receivable within 30 days of entitlement.

(5) Amount was settled on 3 January 2005.

Receivables (Non-Current)

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Other receivables – controlled entities [1]	-	-	525,749	304,666

(1) For terms and conditions relating to receivables from controlled entities, refer to Note 28(b).

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
8. Inventories (Current)				
Petroleum products				
Work in progress	222	287	-	-
Goods in transit	3,749	4,829	-	-
Finished stocks	14,134	7,961	-	-
Warehouse stores and materials	38,240	15,681	-	-
	56,345	28,758	-	-
Inventories (Non-Current)				
Warehouse stores and materials	10,553	11,489	-	-
9. Financial and Other Assets (Current)				
Financial assets				
Derivative instruments	5,601	40,034	-	-
Other assets				
Petroleum Resource Rent Tax receivable	65,311	22,264	-	-
Prepayments	13,762	15,771	-	-
Other	122	526	-	-
	79,195	38,561	-	-
	84,796	78,595	-	-
Financial and Other Assets (Non-Current)				
Financial assets				
Investment in controlled entities	-	-	286,035	281,412
Investment in associated entities – equity accounted	1,260	2,340	-	-
Other Investments [(1)]				
Listed	21,419	71,464	-	-
Unlisted	2,757	5,222	-	-
Derivative instruments	5,077	15,969	-	-
Embedded derivatives	26,662	-	-	-
	57,175	94,995	286,035	281,412
Other assets				
Defined benefit superannuation plan surplus	39,562	23,419	-	-
Prepayments	268	292	-	-
	39,830	23,711	-	-
	97,005	118,706	286,035	281,412

(1) Other investments are classified as available-for-sale and are carried at fair value (2004: at cost). Listed shares consist of investments in ordinary shares and therefore have no fixed maturity date or coupon rate. Unlisted shares are not traded. The shares have no fixed maturity or coupon rate.

	Consolidated		Parent	
	2005 $000	2004 $000	**2005 $000**	2004 $000

10. Exploration and Evaluation (Non-Current)

(a) Regions of Focus

Australia				
Browse Basin	71,456	8,236	-	-
Carnarvon Basin	123,853	122,731	-	-
Timor Sea	61,851	93,058	-	-
Victoria (Gippsland, Otway)	37,611	23,335	-	-
United States of America				
Gulf of Mexico	218,503	62,572	-	-
Africa				
West Africa (Mauritania)	170,104	102,960	-	-
North Africa (Algeria, Libya)	39,287	7,447	-	-
East Africa (Kenya)	1,081	-	-	-
Total exploration and evaluation	723,746	420,339	-	-
Less: Accumulated amortisation	(29,180)	(41,517)	-	-
	694,566	378,822	-	-

(b) Reconciliations of the carrying amounts of capitalised exploration and evaluation at the beginning and end of the financial year are set out below:

Carrying amount				
Carrying amount at 1 January	378,822	628,586	-	-
Expenditure	478,516	187,837	-	-
Amortisation	(26,980)	(24,554)	-	-
Expensed	(15,850)	(85,538)	-	-
Disposals at written down value	(39,478)	-	-	-
Transferred to oil and gas properties				
Projects in development	(92,628)	(342,089)	-	-
Impairment losses	-	(4,046)	-	-
Currency translation differences	12,164	18,626	-	-
Carrying amount at 31 December	694,566	378,822	-	-

11. Oil and Gas Properties (Non-Current)

Consolidated	Land and buildings $000	Transferred exploration and evaluation $000	Plant and equipment $000	Marine vessels and carriers $000	Projects in development $000	Total $000
As at 1 January 2004						
Cost	259,101	206,136	3,979,622	368,600	588,898	5,402,357
Accumulated depreciation	(135,054)	(110,204)	(1,970,139)	(204,747)	-	(2,420,144)
	124,047	95,932	2,009,483	163,853	588,898	2,982,213
Year ended 31 December 2004						
Carrying amount at 1 January 2004	124,047	95,932	2,009,483	163,853	588,898	2,982,213
Additions	1,286	-	29,308	-	637,117	667,711
Disposals at written down value	(194)	(2,071)	(18,296)	(63)	(159,174)	(179,798)
Depreciation and amortisation	(11,681)	(14,459)	(230,199)	(7,813)	-	(264,152)
Completions/transfers from exploration and evaluation	8,930	1,739	515,750	48,367	(230,189)	344,597
Currency translation differences	-	(1,106)	(6,859)	-	(22,200)	(30,165)
Carrying amount at 31 December 2004	122,388	80,035	2,299,187	204,344	814,452	3,520,406
As at 31 December 2004						
Cost	268,714	203,120	4,462,870	416,853	814,452	6,166,009
Accumulated depreciation	(146,326)	(123,085)	(2,163,683)	(212,509)	-	(2,645,603)
	122,388	80,035	2,299,187	204,344	814,452	3,520,406
Year ended 31 December 2005						
Carrying amount at 1 January 2005	122,388	80,035	2,299,187	204,344	814,452	3,520,406
Additions	1,424	17,426	147,569	10	1,253,492	1,419,921
Acquisitions through business combinations	-	-	178,235	-	236,828	415,063
Depreciation and amortisation	(8,627)	(5,769)	(238,769)	(11,274)	-	(264,439)
Completions/transfers from exploration and evaluation	1,332	(3,477)	59,137	(15)	35,651	92,628
Currency translation differences	(297)	(1,914)	8,250	(238)	13,268	19,069
Carrying amount at 31 December 2005	**116,220**	**86,301**	**2,453,609**	**192,827**	**2,353,691**	**5,202,648**
As at 31 December 2005						
Cost	271,177	218,075	4,852,258	416,610	2,393,672	**8,151,792**
Accumulated depreciation	(154,957)	(131,774)	(2,398,649)	(223,783)	(39,981)	**(2,949,144)**
	116,220	**86,301**	**2,453,609**	**192,827**	**2,353,691**	**5,202,648**

Borrowing cost capitalised in oil and gas properties during the period is $54,774,000 (2004: $33,808,000).

	Consolidated		Parent	
	2005 $000	2004 $000	**2005 $000**	2004 $000
12. Other Plant and Equipment (Non-Current)				
Other plant and equipment				
Plant and equipment	**145,358**	140,394	**-**	-
Less: Accumulated depreciation	**(46,041)**	(30,286)	**-**	-
	99,317	110,108	**-**	-
Assets under construction	**1,608**	850	**-**	-
	100,925	110,958	**-**	-
(a) Reconciliations of the carrying amounts of other plant and equipment at the beginning and end of the financial year are set out below:				
Carrying amount at 1 January	**110,958**	141,194	**-**	-
Additions	**5,432**	8,230	**-**	-
Disposals at written down values	**-**	(25,375)	**-**	-
Depreciation and amortisation	**(15,506)**	(13,261)	**-**	-
Completions/transfers	**-**	170	**-**	-
Currency translation differences	**41**	-	**-**	-
Carrying amount at 31 December	**100,925**	110,958	**-**	-
13. Payables (Current)				
Trade payables (1)	**395,072**	196,431	**-**	-
Other payables (1)	**185,876**	112,213	**111**	161
Interest payable – other persons (2)	**18,609**	17,362	**-**	-
Petroleum Resource Rent Tax payable	**32,983**	13,470	**-**	-
	632,540	339,476	**111**	161
Payables (Non-Current)				
Amounts payable – controlled entities	**-**	-	**85,466**	22,827
Other payables	**9,404**	13,067	**-**	-
	9,404	13,067	**85,466**	22,827

(1) Trade and other payables are non-interest bearing and normally settled on 30 day terms.

(2) Details regarding interest payable are contained in Note 22.

		Consolidated		Parent	
		2005 $000	2004 $000	**2005 $000**	2004 $000
14.	**Interest-Bearing Liabilities (Current)**				
	Commercial paper	**31,400**	-	**-**	-
	Interest-Bearing Liabilities (Non-Current)				
	Bonds	**1,096,127**	1,013,479	**-**	-
15.	**Tax Payable (Current)**				
	Income tax attributable to parent and entities in the tax-consolidated group	**137,570**	50,795	**137,570**	50,795
	Income tax attributable to other entities	**15,203**	217	**-**	-
		152,773	51,012	**137,570**	50,795
16.	**Financial and Other Liabilities (Current)**				
	Financial liabilities				
	Derivative instruments	**34,427**	41,382	**-**	-
	Other liabilities				
	Unearned revenue	**6,532**	4,100	**-**	-
	Gas purchase commitments	**2,773**	-	**-**	-
		9,305	4,100	**-**	-
		43,732	45,482	**-**	-
	Financial and Other Liabilities (Non-Current)				
	Financial liabilities				
	Derivative instruments	**26,725**	16,726	**-**	-
	Other liabilities				
	Unearned revenue	**85,336**	69,665	**-**	-
	Deferred foreign exchange gain on borrowings (1)	**-**	60,790	**-**	-
	Gas purchase commitments	**20,426**	20,917	**-**	-
	Deferred Petroleum Resource Rent Tax liabilities	**224,321**	195,737	**-**	-
		330,083	347,109	**-**	-
		356,808	363,835	**-**	-

(1) Comparative amount presented according to previous year's Group accounting policy (refer Note 2(ae)).

	Restoration of operating locations $000	Employee benefits $000	Directors' retiring allowance $000	Total $000
17. Provisions				
Consolidated				
At 1 January 2005	247,726	74,729	344	322,799
Additional provision	130,843	4,991	19	135,853
Unwinding of present value discount	11,855	2,137	-	13,992
At 31 December 2005	390,424	81,857	363	472,644
2005				
Current	8,952	63,043	-	**71,995**
Non-current	381,472	18,814	363	**400,649**
	390,424	**81,857**	**363**	**472,644**
2004				
Current	-	52,562	-	52,562
Non-current	247,726	22,167	344	270,237
	247,726	74,729	344	322,799
Parent				
At 1 January 2005	-	-	344	**344**
Additional provision	-	-	19	**19**
At 31 December 2005	-	-	363	363
2005				
Non-current	-	-	**363**	**363**
2004				
Non-current	-	-	344	344

Restoration of operating locations

Details regarding restoration of operating locations are contained in Note 2(k) and 2(af).

Employee benefits

Details regarding employee benefits are in Note 25.

Directors retiring allowance

Details regarding Directors' retiring allowance are in Note 2(u).

		Consolidated		Parent	
		2005 $000	2004 $000	**2005 $000**	2004 $000
18.	**Contributed Equity**				
(a)	Issued and fully paid shares				
	666,666,667 ordinary shares	**706,492**	706,492	**706,492**	706,492
(b)	Shares held for employee share plan				
	10,536,682 (2004: 12,016,576) ordinary shares	**148,040**	136,890	**148,040**	136,890

(c) All shares are a single class with no par value and equal rights to dividends, capital distributions and voting. There are no shares reserved for share options.

(d) Information relating to Woodside Petroleum Ltd. shares held by the entity under the employee share plan can be found in Note 25(a).

	Employee benefits reserve $000	Foreign currency translation reserve $000	Hedging reserve $000	Investment fair value reserve $000	Total $000
19. Other Reserves					
Consolidated					
Balance at 1 January 2004	-	-	-	-	-
Currency translation differences	-	(7,120)	-	-	(7,120)
Balance at 31 December 2004	-	(7,120)	-	-	(7,120)
Adoption of new accounting standards relating to financial instruments	-	-	(1,018)	35,987	34,969
Cost of share-based payment	18,668	-	-	-	18,668
Cash flow hedges	-	-	(20,794)	-	(20,794)
Available-for-sale financial assets	-	-	-	(27,469)	(27,469)
Currency translation differences	-	7,850	-	-	7,850
Balance at 31 December 2005	**18,668**	**730**	**(21,812)**	**8,518**	**6,104**
Parent					
Balance at 1 January 2004	-	-	-	-	-
Balance at 31 December 2004	-	-	-	-	-
Cost of share-based payment	18,668	-	-	-	18,668
Balance at 31 December 2005	**18,668**	-	-	-	**18,668**

Nature and purpose of reserves

Employee benefits reserve
Used to record the cost of share-based payments associated with the employee share plan.

Foreign currency translation reserve
Used to record foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Hedging reserve
Used to record the effective portion of changes in the fair value of cash flow hedges.

Investment fair value reserve
Used to record changes in the fair value of the Group's available-for-sale investments.

	Consolidated		Parent	
	2005 $000	2004 $000	**2005 $000**	2004 $000
20. Retained Earnings				
Movements in retained profits				
Balance at beginning of year	**2,208,587**	1,408,871	**256,288**	253,619[(1)]
Adjustment on adoption of new accounting standards relating to financial instruments	**66,728**	-	-	-
Net profit for the year	**1,107,427**	1,146,383	**483,663**	349,336
Dividends	**(446,667)**	(346,667)	**(446,667)**	(346,667)
Balance at end of year	**2,936,075**	2,208,587	**293,284**	256,288

(1) Parent company 2004 opening retained earnings have been restated downward by $98,700,000 million to allow for a diminution in the carrying amount of an investment in a subsidiary company. There is no impact on the consolidated entity from the restatement.

21. Notes to the Cash Flow Statement

(a) Components of Cash and Cash Equivalents

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Cash at bank [1]	142,634	112,010	-	-
Money market deposits [2]	90,270	685,130	-	-
Total cash and cash equivalents [3]	232,904	797,140	-	-

(1) Cash at bank earns interest at 5.0% (2004: 2.2%).

(2) Money market deposits are denominated in A$ and US$ with an average maturity of 3.4 days (2004: 19 days) and effective interest rate of 4.4% to 5.6% (2004: 2.2% to 5.25%).

(3) The fair value of cash and cash equivalents is $232,904,000 (2004: $797,140,000).

(b) Reconciliation of net cash from operating activities to operating profit after income tax

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Operating profit after income tax	1,107,427	1,146,383	483,663	349,336
Depreciation and amortisation	306,590	310,396	-	-
Exchange (gains)/losses on cash balances	(27,487)	78,018	-	-
Foreign exchange (gains)/losses	7,951	10,438	-	-
(Profit)/loss on sale of assets	(67,909)	(509,121)	-	-
Embedded derivatives	(30,173)	-	-	-
Evaluation expense	14,747	8,264	-	-
Diminution in value of investments	-	-	1,035	477
Transfer of exploration activities to investing	263,116	222,685	-	-
Share of associates' net (profit)/loss	(6,142)	(1,660)	-	-
Impairment losses	-	4,046	-	-
Amounts recognised directly in equity	(11,642)	2,056	7,518	2,056
Decrease/(increase) in assets				
Trade receivables	(151,622)	94,789	-	-
Interest receivable	730	2,437	-	-
Prepayments	8,955	(8,854)	-	-
Dividends receivable	(664)	784	-	-
Inventories	(5,027)	(7,593)	-	-
Other assets	(10,542)	(27,331)	(491)	(571,554)
(Decrease)/increase in liabilities				
Payables and other liabilities	337,563	129,633	-	4,947
Tax payable	101,761	(57,036)	86,775	43,201
Deferred tax	(149,769)	46,889	80	523,741
Provisions	26,805	15,016	19	(1,530)
Net cash from operating activities	1,714,668	1,460,239	578,599	350,674

22. Financial Instruments

(a) Financial Risk Management Objectives and Policies

Woodside's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- meet its financial commitments as and when they fall due;
- maintain the capacity to fund its development program and exploration strategy;
- continue to pay dividends; and
- sustain financial ratios which maintain an investment-grade credit rating.

Woodside continually monitors and tests its forecast financial position against these criteria and, in general, will undertake hedging activity only when necessary to ensure that these objectives are achieved. Other circumstances which lead to hedging activities include the purchase of reserves and underpinning the economics of a new project.

Interest rate, commodity price, foreign currency and credit risk arise in the normal course of the Group's business. These risks are managed through Board-approved treasury policies and processes. The Group's principal financial instruments, other than derivatives, comprise interest-bearing debt, finance leases, cash and short-term deposits. Other financial instruments include trade receivables and trade payables, which arise directly from operations.

Monthly treasury reports are presented to the Board detailing open positions, any new transactions and any policy breaches. The Board Audit and Risk Committee oversees both the internal and external audit reviews of the treasury function.

It is, and has been, throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken.

External treasury specialists are engaged periodically to review Woodside's Treasury operations. The last external treasury review was conducted in 2004 and the next review will be conducted in 2006.

		Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000

22. Financial Instruments (continued)

(b) Financing Facilities

Woodside Finance Ltd., an entity controlled by Woodside Petroleum Ltd., is a party to US dollar borrowings. A summary of each debt facility available at 31 December 2005 is presented below.

		Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Financing facilities available at balance date:					
US$	Bi-lateral loans	**614,334**	513,875	-	-
	Bonds	**1,096,127**	1,013,479	-	-
	364-day facility	**68,259**	64,234	-	-
A$	Commercial paper/medium-term notes	-	300,000	-	-
		1,778,720	1,891,588	-	-
Financing facilities used at balance date:					
US$	Bi-lateral loans	**31,400**	-	-	-
	Bonds	**1,096,127**	1,013,479	-	-
	364-day facility	-	-	-	-
A$	Commercial paper/medium-term notes	-	-	-	-
		1,127,527	1,013,479	-	-
Total financing facilities unused at balance date:					
US$	Bi-lateral loans	**582,934**	513,875	-	-
	Bonds	-	-	-	-
	364-day facility	**68,259**	64,234	-	-
A$	Commercial paper/medium-term notes	-	300,000	-	-
		651,193	878,109	-	-

Bi-lateral loan facilities

The Group has bi-lateral loan facilities totalling US$450 million, with terms of at least five years. Five of these facilities are dual-currency. These facilities expire between 2006 and 2011 as follows: two in 2006, one in 2007, two in 2009, two in 2010 and two in 2011. Interest rates on each loan are floating based on London Interbank Offered Rate (LIBOR) (for US dollar drawings) and are fixed at the commencement of the drawdown period. Interest is paid at the end of the drawdown period. The facilities are subject to a financial covenant and a negative pledge restricting the amount of future secured borrowings. Neither the covenant nor the negative pledge have been breached at any time during the reporting period.

Bonds

The Group has a US$300 million 10-year unsecured bond maturing in 2011 and two US$250 million 10-year unsecured bonds maturing in 2008 and 2013. Bonds were issued to "qualified institutional buyers" in the United States of America as defined in Rule 144A under the US *Securities Act 1933*. The 2008 US$250 million bond has a fixed rate coupon of 6.6% p.a. and matures on 15 April 2008. The 2011 US$300 million bond has a fixed rate coupon of 6.7% p.a. and matures on 1 August 2011. The 2013 US$250 million bond has a fixed rate coupon of 5.0% p.a. and matures on 15 November 2013. Interest on all bonds is payable six monthly in arrears. The bonds are subject to various covenants and a negative pledge restricting the amount of future secured borrowings. Neither the covenants nor the negative pledge have been breached at any time during the reporting period.

22. Financial Instruments (continued)

(b) Financing Facilities (continued)

364-day revolving credit facility

The Group has a dual-currency US$50 million revolving credit facility. The interest rate is a floating rate based on the bank's cost of funds and is fixed at the commencement of the drawdown period. Interest is paid at the end of the drawdown period. The facility is subject to a financial covenant and a negative pledge restricting the amount of future secured borrowings. Neither the covenant nor the negative pledge have been breached at any time during the reporting period.

As at the balance date there was US$nil (2004: US$nil) outstanding under the facility. The facility was extended for a further 364 days during the second half of 2005.

Repayment obligations in respect of the amount of the facilities are as follows:

	Consolidated		Parent	
	2005 $000	2004 $000	**2005 $000**	2004 $000
Due				
No later than one year	**31,400**	-	-	-
Later than one year but not later than two years	-	-	-	-
Later than two years but not later than three years	**339,070**	-	-	-
Later than three years but not later than four years	-	318,142	-	-
Later than four years but not later than five years	-	-	-	-
Later than five years	**757,057**	695,337	-	-
	1,127,527	1,013,479	-	-

22. Financial Instruments (continued)

(c) Hedging and derivatives

Interest Rates

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bi-lateral loan facilities.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debt. To manage this mix, the Group may enter into interest rate swaps. Hedging can be undertaken against specific future interest rate exposures only, by way of a number of derivative instruments including fixed-to-floating rate swaps, forward rate agreements and interest rate locks.

Instrument	Notional amount	Rate	Expiry	Hedge type	Fair value **2005 $000**	Fair value 2004 $000
Interest rate swaps	US$250 million	Receive 5% fixed Pay LIBOR less 0.10%	2013	Fair value hedge – hedge exposure to changes in the fair value of the 2013 US$250 million bond	**5,077**	10,058
	US$180 million	Receive average 6.6% Pay LIBOR plus 1.56%	2005	Fair value hedge – hedge exposure to changes in the fair value of a portion of the 2011 US$300 million bond	-	1,635

Foreign Currency

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than A$.

Instrument	Notional amount	Rate	Expiry	Hedge type	Fair value **2005 $000**	Fair value 2004 $000
Foreign exchange forward contracts	Sell US$8.5 million	Receive A$2.028/US$	2006	Cash flow hedge – hedge exposure to changes in foreign exchange from anticipated future US$ LNG sales	**5,601**	5,911
	US$67.1 million	A$1.853/US$	2005		-	34,427

Borrowings of US$823m are designated as a hedge of the net investments in the US dollar functional currency subsidiaries outlined in Note 34, and are being used to reduce the exposure to foreign exchange risk. Foreign exchange gains or losses on these borrowings are then transferred to equity to offset the gain or loss on translation of the net investments in the subsidiaries.

Commodity Prices

Commodity price risk arises on future oil and gas production.

Instrument	Notional amount	Rate	Expiry	Hedge type	Fair value **2005 $000**	Fair value 2004 $000
Oil price swaps	Sell 0.06MMboe	Receive US$21.25/bbl	2005	Cash flow hedge – hedge exposure to changes in WTI oil prices from anticipated future oil sales	-	1,455
Natural gas swaps	Sell 6.34MMbtu	Receive US$10.04/MMbtu	2006	Cash flow hedge – hedge exposure to approximately 50% of expected gas production from Gryphon Exploration Company, to the end of 2008	**(6,450)**	-
	4.67MMbtu	US$9.01/MMbtu	2007		**(8,041)**	-
	5.31MMbtu	US$8.39/MMbtu	2008		**(6,882)**	-

22. Financial Instruments (continued)

(c) Hedging and derivatives (continued)

An existing portfolio of hedges, primarily options, held by Gryphon Exploration Company ('Gryphon') at the time of acquisition, do not qualify for hedge accounting under AASB 139. The fair value of these derivatives at the balance sheet date are included in Note 9. Movements in the fair value of these derivatives are recognised directly in the Income Statement for the period.

(d) Effective Interest Rates

The effective interest rates on financial assets and liabilities as at 31 December 2005 were as follows:

	Floating interest rate	Fixed interest rate maturing in						Non-interest bearing	Total	Effective interest rate
		1 year or less	between 1-2 years	2-3	3-4	4-5	more than 5 years			
2005	$000	$000	$000	$000	$000	$000	$000	$000	$000	%
Consolidated										
Financial assets										
Cash	142,634	90,270	-	-	-	-	-	-	232,904	5.0
Receivables	-	-	-	-	-	-	-	358,088	358,088	-
Other financial assets	5,077	-	-	-	-	-	-	57,699	62,776	-
	147,711	90,270	-	-	-	-	-	415,787	653,768	-
Financial liabilities										
Payables	-	-	-	-	-	-	-	641,944	641,944	-
Interest-bearing liabilities [(1)]	-	31,400	-	339,070	-	-	757,057	-	1,127,527	5.7
Other financial liabilities	-	-	-	-	-	-	-	61,152	61,152	-
	-	31,400	-	339,070	-	-	757,057	703,096	1,830,623	-
Net financial assets/(liabilities)	147,711	58,870	-	(339,070)	-	-	(757,057)	(287,309)	(1,176,855)	-
Parent										
Financial assets										
Receivables	532	-	-	-	-	-	-	807,205	807,737	5.4
Other financial assets	-	-	-	-	-	-	-	286,035	286,035	-
	532	-	-	-	-	-	-	1,093,240	1,093,772	-
Financial liabilities										
Payables	-	-	-	-	-	-	-	85,577	85,577	-
	-	-	-	-	-	-	-	85,577	85,577	-
Net financial assets/(liabilities)	532	-	-	-	-	-	-	1,007,663	1,008,195	-

(1) Effective interest rate recognises the impact of interest rate swaps.

22. Financial Instruments (continued)

(d) Effective Interest Rates (continued)

The effective interest rates on financial assets and liabilities as at 31 December 2004 were as follows:

2004	Floating interest rate $000	Fixed interest rate maturing in: 1 year or less $000	1-2 years $000	2-3 years $000	3-4 years $000	4-5 years $000	more than 5 years $000	Non-interest bearing $000	Total $000	Effective interest rate %
Consolidated										
Financial assets										
Cash	112,011	685,129	-	-	-	-	-	-	797,140	2.2
Receivables	-	191,475	-	-	-	-	-	184,348	375,823	5.0
Other financial assets	11,693	-	-	-	-	-	-	123,336	135,029	-
	123,704	876,604	-	-	-	-	-	307,684	1,307,992	-
Financial liabilities										
Payables	-	-	-	-	-	-	-	352,543	352,543	-
Interest-bearing liabilities (1)	-	-	-	-	-	318,142	695,337	-	1,013,479	5.3 (1)
Other financial liabilities	-	-	-	-	-	-	-	58,108	58,108	-
	-	-	-	-	-	318,142	695,337	410,651	1,424,130	-
Net financial assets/ (liabilities)	123,704	876,604	-	-	-	(318,142)	(695,337)	(102,967)	(116,138)	-
Parent										
Financial assets										
Receivables	41	-	-	-	-	-	-	618,342	618,383	5.0
Other financial assets	-	-	-	-	-	-	-	281,412	281,412	-
	41	-	-	-	-	-	-	899,754	899,795	-
Financial liabilities										
Payables	-	-	-	-	-	-	-	22,988	22,988	-
								22,988	22,988	-
Net financial assets/ (liabilities)	41	-	-	-	-	-	-	876,766	876,807	-

(1) Effective interest rate is after recognising the impact of interest rate swaps.

(e) Credit Risk

Customers who wish to trade on unsecured credit terms are subject to credit verification procedures. Receivables balances are monitored on an ongoing basis with the result that the Parent's and Group's exposure to bad debts is not significant. Woodside's credit risk is limited to the carrying value of its financial assets.

Derivative transactions are with counterparties with a credit rating equal to or better than the Group. At balance date there were no significant concentrations of credit risk.

22. Financial Instruments (continued)

(f) Fair Values

The carrying amounts and estimated fair values of financial assets and financial liabilities are as follows:

	Carrying amount		Fair value	
	2005 $000	2004 $000	**2005 $000**	2004 $000
Consolidated				
Financial assets				
Cash	**232,904**	797,140	**232,904**	797,140
Receivables – current	**358,088**	375,823	**358,088**	375,823
Other financial assets – current				
Derivative instruments	**5,601**	40,034	**5,601**	40,034
Other financial assets – non-current				
Listed entity investments	**21,419**	71,464	**21,419**	127,297
Unlisted entity investments	**2,757**	5,222	**2,757**	5,222
Derivative instruments	**31,739**	15,969	**31,739**	15,969
Financial liabilities				
Payables – current	**632,540**	339,476	**632,540**	339,476
Payables – non-current	**9,404**	13,067	**9,404**	13,067
Interest-bearing liabilities – current	**31,400**	-	**31,400**	-
Interest-bearing liabilities – non-current	**1,096,127**	1,013,479	**1,129,187**	1,097,351
Other financial liabilities – current				
Derivative instruments	**34,427**	41,382	**34,427**	41,382
Other financial liabilities – non-current				
Derivative instruments	**26,725**	16,726	**26,725**	16,726
Parent				
Financial assets				
Receivables				
Current	**281,988**	313,717	**281,988**	313,717
Non-current	**525,749**	304,666	**525,749**	304,666
Other financial assets				
Unlisted entity investments	**286,035**	281,412	**286,035**	281,412
Financial liabilities				
Payables				
Current	**111**	161	**111**	161
Non-current	**85,466**	22,827	**85,466**	22,827

22. Financial Instruments (continued)

(f) Fair Values (continued)

The methods and assumptions used to estimate the fair value of financial instruments are outlined below:

Cash

The carrying amount is fair value due to the liquid nature of these assets.

Receivables/payables

Due to the short term nature of these financial rights and obligations, their carrying amounts are estimated to represent their fair values.

Other financial assets/liabilities

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. The fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Interest-bearing liabilities

The fair value of long-term borrowings (bonds) is determined by discounting all future cash flows of the bonds using the US interest rate swap curve as at the reporting date, adjusted for the Company's margin, which is based on the Group's credit rating.

23. Business Combinations

Effective 31 August 2005, Woodside Energy (USA) Inc. acquired a 100% interest in Gryphon Exploration Company ('Gryphon'), an unlisted company based in the United States of America, with production and exploration leases in the Gulf of Mexico.

Gryphon contributed revenues of $27,991,183 and a net loss of $44,186,542 to the Group for the period to 31 December 2005 due primarily to the impacts on production from the hurricanes affecting the Gulf of Mexico during 2005. If the acquisition had occurred on 1 January 2005, consolidated revenue for the year ended 31 December 2005 would have increased by $78,936,000 and consolidated profit would have reduced by $54,241,000.

Accounting for the purchase price allocation against the value of assets is provisional at 31 December 2005 due to an ongoing assessment of the exploration prospects purchased.

The acquisition of Gryphon was completed jointly with Explore Enterprises of Louisiana LLC ('Explore Enterprises') in accordance with the Development Agreement signed in January 2005. Under the terms of the signed Development Agreement, Explore Enterprises and Woodside Energy (USA) Inc. jointly invest in leases in the shelf and deep waters of the Gulf of Mexico with 95% of the interests held by Woodside and the remaining 5% held by Explore Enterprises. Explore Enterprises' interest in the Gryphon leases will increase from 5% to 12.5% after Woodside has recovered the present value of its invested capital in the Gryphon leases.

At 31 December 2005, 5% of the lease interests have not been assigned to Explore Enterprises but are expected to be assigned during 2006 in accordance with the Development Agreement. A receivable from Explore Enterprises for 5% of the acquisition cost has been recognised ($18,978,000) and a liability has been recognised for the same amount, representing the working interest in assets acquired due to Explore Enterprises.

Consulting services for management of assets in the Gulf of Mexico were provided to the Group under normal terms and conditions by Explore Enterprises, a company in which a senior employee of the Group is a director and owner, totalling $1,015,000 (2004: $nil).

23. Business Combinations (continued)

The carrying value and fair value of the identifiable assets and liabilities of Gryphon Exploration Company as at the date of acquisition were as follows:

	Carrying value of Gryphon at 31 August 2005 $000	Fair value of Gryphon at 31 August 2005 $000
CURRENT ASSETS		
Cash and cash equivalents	23,912	23,912
Receivables	12,397	12,397
Inventories	426	426
Financial and other assets	7,021	6,970
TOTAL CURRENT ASSETS	43,756	43,705
NON-CURRENT ASSETS		
Exploration and evaluation	74,449	191,030
Oil and gas properties	205,147	415,063
Other plant and equipment	554	554
Deferred tax asset	4,081	-
TOTAL NON-CURRENT ASSETS	284,231	606,647
TOTAL ASSETS	327,987	650,352
CURRENT LIABILITIES		
Payables	45,026	45,026
Interest-bearing liabilities	36,141	36,141
Financial and other liabilities	8,709	32,016
Provisions	-	8,941
TOTAL CURRENT LIABILITIES	89,876	122,124
NON-CURRENT LIABILITIES		
Deferred tax liabilities	39,125	126,748
Financial and other liabilities	4,031	12,634
Provisions	5,493	9,295
TOTAL NON-CURRENT LIABILITIES	48,649	148,677
TOTAL LIABILITIES	138,525	270,801
NET ASSETS	189,462	379,551
Purchase consideration:		
Cash paid	-	378,440
Direct costs relating to the acquisition	-	1,111
Total purchase consideration	-	379,551
Cash acquired on acquisition	-	(23,912)
Net cash outflow	-	355,639

24. Expenditure Commitments

(a) Operating Lease Commitments

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Rentals payable on non-cancellable operating leases, due:				
Within one year	**98,839**	59,926	-	-
After one year but not more than five years	**209,238**	160,456	-	-
Later than five years	**202,549**	189,859	-	-
	510,626	410,241	-	-

The Group leases assets for operations including: helicopters, supply vessels, cranes, land, mobile offshore drilling units, office premises and computers.

There are no restrictions placed upon the lessee by entering into these leases. Renewals are at the option of the specific entity that holds the lease. Most leases contain a clause enabling upward revision of the rental charge on an annual basis based on a consumer price index.

(b) Capital Expenditure

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Expenditure contracted for but not provided for in the accounts, due:				
Within one year	**763,786**	550,423	-	-
After one year but not more than five years	**320,079**	88,392	-	-
	1,083,865	638,815	-	-

24. Expenditure Commitments (continued)

(c) Other Expenditure Commitments

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Other expenditure commitments, predominantly for the future supply of services, contracted for but not provided for in the accounts, due:				
Within one year	46,585	102,735	-	-
After one year but not more than five years	63,704	63,792	-	-
Later than five years	29,167	1,714	-	-
	139,456	168,241	-	-

(d) Exploration Commitments

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Exploration expenditure obligations contracted for but not provided for in the accounts, due:				
Within one year	145,936	138,619	-	-
After one year but not more than five years	134,984	64,327	-	-
Later than five years	-	4,450	-	-
	280,920	207,396	-	-
Australia				
Browse Basin	2,692	1,000	-	-
Carnarvon Basin	27,507	39,102	-	-
Timor Sea	10,540	659	-	-
Great Australian Bight	38,560	10,500	-	-
Victoria (Gippsland, Otway)	22,208	19,237	-	-
United States of America				
Gulf of Mexico	11,637	18,680	-	-
Africa				
West Africa (Mauritania, Sierra Leone)	64,196	31,113	-	-
North Africa (Algeria, Libya)	97,448	41,205	-	-
Kenya	6,132	35,900	-	-
Canary Islands	-	10,000	-	-
	280,920	207,396	-	-

These obligations may vary from time to time and are expected to be fulfilled in the normal course of operations of the Group.

25. Employee Benefits

(a) Woodside Employee Share Plan

Under the Woodside Employee Share Plan ('WESP' or 'the plan'), eligible employees are granted loans for the on-market purchase of shares in Woodside Petroleum Ltd. The loans are interest-free, are limited-recourse, have no fixed repayment period, are repayable by application of dividends (after taking into account employee liability for tax on those dividends), and the sale of shares or upon termination of the employee. The Company assesses incremental loan offer entitlements in accordance with pre-established criteria based on remuneration levels.

WESP members receive all of the rights of ordinary shareholders. Unrestricted possession of these shares occurs at the earlier of, three years from the date of issue or the date employment ceases, provided that the loan is repaid by proceeds of sale of the shares or other means. Where the loan is repaid by the sale of shares, any remaining surplus on sale is paid to the employee while any shortfall is borne by Woodside. During 2005, 1,968 employees (2004: 1,587 employees) participated in the plan.

Other relevant terms and conditions applicable to WESP grants include:

- The number of shares acquired with each loan is a function of the weighted average price of Woodside Petroleum Ltd. shares on the Australian Stock Exchange (ASX) over the week prior to the acquisition date, plus brokerage and stamp duty;
- The number of shares that can be acquired under the plan is limited to 5.0% of issued ordinary share capital of Woodside Petroleum Ltd. At 31 December 2005, the number of shares held by employees within the plan is 1.58% (2004: 1.80%);
- The shares are acquired by the plan on the open market and are allocated to the employees participating in the scheme;
- Any dividends paid on the shares by Woodside Petroleum Ltd. are applied against the exercise price; and
- The loans have no stipulated repayment period, except for executives as described in Note 27(c) of this report.

The following table illustrates the number and weighted average prices of shares held, acquired and disposed of during the year by the plan on behalf of employees.

	2005			2004		
	Number of shares	Weighted average price $	Cost $000	Number of shares	Weighted average price $	Cost $000
Opening balance	12,016,576	12.69	152,441	13,531,280	11.55	156,286
Purchases during the year	2,443,130	24.50	59,858	2,194,114	16.99	37,277
Redemptions during the year	(3,923,024)	12.69	(49,792)	(3,708,818)	11.09	(41,122)
Closing balance	**10,536,682**	**15.42**	**162,507**	12,016,576	12.69	152,441
Less: Cumulative dividends applied			(14,467)			(15,551)
Loan balance			148,040			136,890
Shares eligible for unrestricted possession	4,824,423	11.46	55,297	5,340,114	10.63	56,752

During the year ended 31 December 2005, 3,923,024 shares were sold by the WESP on behalf of employees at a weighted average share price of $24.59.

25. Employee Benefits (continued)

(a) Woodside Employee Share Plan (continued)

WESP loans are accounted for as share-based payments to employees for services provided. The fair value of the benefit provided is estimated using the Black - Scholes option pricing model as follows:

	Shares acquired	Share price at acquisition date[1]	Employee benefit fair value	Valuation assumptions[2]		
Grant date		$	$/share	Expected volatility %	Risk free interest rate %	Expected life years
2004						
February	260,590	14.93	3.28	17.0	5.5	5.0
May	1,262,969	16.65	4.39	17.0	5.6	5.0
August	384,439	17.48	3.35	17.0	5.4	5.0
October	286,116	19.70	6.39	17.0	5.3	5.0
2005						
February	356,544	20.70	6.49	17.0	5.4	5.0
May	1,498,909	23.07	7.11	17.0	5.2	5.0
August	238,111	29.86	9.08	17.0	5.2	5.0
October	349,566	30.87	10.09	20.0	5.4	5.0

(1) The share price at acquisition date is deemed to be the exercise price.
(2) Dividend yield nil.

The expected life of the instrument is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. All features have been included in the valuation of the benefit.

Woodside has applied the transitional provisions in AASB 1, accordingly WESP grants prior to 1 January 2005 are not subject to the recognition and measurement principles of AASB 2 *Share-based Payments*. WESP grants are deemed to vest immediately as employees are able to leave Woodside and obtain the WESP shares, or the potential benefit associated. Accordingly, the fair value of WESP grants is recognised immediately.

25. Employee Benefits (continued)

(b) Defined benefit superannuation plan

(i) Superannuation plan

All employees of the Group are entitled to benefits from the Group's superannuation plan on retirement, disability or death. The Group has one funded plan with a defined benefit section and a defined contribution section. The defined benefit section plan provides lump sum benefits based on years of service and final average salary. The defined benefit section of the plan is closed to new members. All new members receive accumulation only benefits. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

The following sets out details in respect of the defined benefit section only.

	Consolidated		Parent	
	2005 $000	2004 $000	**2005 $000**	2004 $000
(ii) Balance sheet amounts				
The amounts recognised in the balance sheet are determined as follows:				
Present value of the defined benefit obligation	**(118,093)**	(119,391)	-	-
Fair value of defined benefit plan assets	**157,655**	142,810	-	-
Net asset in the balance sheet	**39,562**	23,419	-	-

The Group intends to continue to contribute to the defined benefit section of the plan at a rate of 9% of staff defined benefit members' salaries (plus 3% award contributions) and 15% of executive defined benefit members' salaries in line with the actuary's latest recommendations.

The Group has a legal obligation to settle defined benefit plan deficits, however these do not need to be settled with an immediate contribution or additional one-off contribution. Any defined benefit plan surplus may only be used to reduce future contributions from the Group.

The present value of the defined benefit obligation has been determined using the Projected Unit Credit Method.

(iii) Categories of plan assets

	Consolidated 2005	Consolidated 2004	Parent 2005	Parent 2004
The major categories of plan assets are as follows:				
Cash	**14%**	13%	-	-
Equity instruments	**62%**	63%	-	-
Fixed interest	**15%**	17%	-	-
Property	**9%**	7%	-	-
	100%	100%	-	-

	Consolidated		Parent	
	2005 $000	2004 $000	**2005 $000**	2004 $000

25. Employee Benefits (continued)

(b) Defined benefit superannuation plan (continued)

(iv) Reconciliations

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
Reconciliation of the present value of the defined benefit obligation, which is fully funded:				
Balance at beginning of year	(119,391)	(113,801)	-	-
Current service cost	(9,819)	(9,753)	-	-
Interest cost	(5,333)	(5,328)	-	-
Actuarial gains/(losses)	1,339	(1,073)	-	-
Plan participants' contributions	(3,375)	(3,552)	-	-
Benefits, administrative expenses, premiums and tax paid	19,524	15,074	-	-
Net transfers (out)	(1,038)	(958)	-	-
Defined benefit obligation at end of year	(118,093)	(119,391)	-	-
Reconciliation of the fair value of plan assets/(liabilities):				
Balance at beginning of year	142,810	121,650	-	-
Expected return on plan assets	9,870	8,518	-	-
Actuarial gains/(losses)	11,869	13,243	-	-
Employer contributions	8,217	9,963	-	-
Plan participants' contributions	3,375	3,552	-	-
Benefits, administrative expenses, premiums and tax paid	(19,524)	(15,074)	-	-
Net transfers in	1,038	958	-	-
Fair value of plan assets at end of year	157,655	142,810	-	-
Reconciliation of superannuation asset/(liability):				
Present value of defined benefit obligation	(124,027)	(122,904)	-	-
Provision for contributions tax	5,934	3,513	-	-
Fair value of plan assets	157,655	142,810	-	-
Fair value of surplus assets at end of year	39,562	23,419	-	-

(v) Amounts recognised in income statement

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
The amounts recognised in the income statement are as follows:				
Current service cost	(9,819)	(9,753)	-	-
Interest cost	(5,333)	(5,328)	-	-
Expected return on plan assets	9,870	8,518	-	-
Net actuarial gains/(losses) recognised in year	13,208	12,170	-	-
Superannuation income/(expense)	7,926	5,607	-	-

25. Employee Benefits (continued)

(b) Defined benefit superannuation plan (continued)

(vi) Principal actuarial assumptions

The principal actuarial assumptions used as at balance sheet date were as follows:

	Financial year ending	
	31 December 2005	31 December 2004
Discount rate – active members	**4.40% p.a.**	4.50% p.a.
Discount rate – pensioners	**5.20% p.a.**	5.40% p.a.
Expected rate of return on plan assets – active members	**7.00% p.a.**	7.00% p.a.
Expected rate of return on plan assets – pensioners	**7.00% p.a.**	7.00% p.a.
Expected salary increase rate	**4.00% p.a.**	4.00% p.a.
Expected pension increase rate	**2.50% p.a.**	2.50% p.a.

The expected rate of return on plan assets is determined by weighting the expected long term return for each asset class by the benchmark allocation of assets to each class. The returns for each asset class are net of investment tax and investment fees. This resulted in the selection of a 7% rate of return on assets (discount rate).

(vii) Historical information

	Financial year ending	
	31 December 2005	31 December 2004
	$000	$000
Present value of defined benefit obligation[(1)]	**118,093**	119,391
Fair value of plan assets	**157,655**	142,810
Surplus/(deficit) in plan	**39,562**	23,419
Experience adjustments gain/(loss) – plan assets	**11,869**	13,243
Experience adjustments gain/(loss) – plan liabilities	**1,339**	(1,073)

(1) Includes any provision for contribution tax on plan surplus or deficit.

(viii) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than yearly intervals, and the last such assessment was made as at 31 December 2005.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the "attained age normal" method. This funding method seeks to have benefits funded by means of a total contribution which is expected to be a constant percentage of members' salaries over their working lifetimes.

Using the funding method described above and particular actuarial assumptions as to the plan's future experience as detailed below, the actuary recommended in the actuarial review as at 31 December 2004, the payment of employer contributions to the fund of 9% p.a. of staff defined benefit members' salaries (plus 3% p.a. award contributions) and 15% p.a. of executive defined benefit members' salaries. These contribution rates have been adopted by the Group from 1 August 2005. Total employer contributions expected to be paid by Group companies for the year ending 31 December 2005 are $8,217,000 (2004: $9,963,000) (parent entity: $nil).

	Consolidated		Parent	
	2005 $000	2004 $000	**2005 $000**	2004 $000
(c) Employee benefits expense				
Employee benefits	**95,973**	86,485	**464**	205
Defined benefit plan costs	**3,149**	2,838	**20**	5
Defined contribution plan costs	**9,647**	8,693	**94**	21
Defined benefit plan surplus	**(7,926)**	(5,607)	**-**	-
Expense on share based payments	**10,827**	1,069	**30**	5
	111,670	93,478	**608**	236

25. Employee Benefits (continued)

(d) Executive Incentive Plan

The Executive Incentive Plan (EIP) became effective 1 January 2005. There have been no grants under the EIP during 2005. For details regarding Woodside's remuneration structure for the CEO and senior executives refer to Note 27(c).

26. Events after the Balance Sheet Date

Dividends

Since the reporting date, the Directors have declared a fully franked dividend of 58 cents (2004: 32 cents), payable in March 2006. The amount of this dividend will be $386,667,000, (2004: $213,333,000). No provision has been made for this dividend in the financial report as the dividend was not declared or determined by the Directors on or before the end of the financial year.

Mauritanian Development

In February 2006 Woodside was advised by the Mauritanian Government that it disputed amendments to four offshore production sharing contracts ('PSCs") operated by the Company. The amendments are supplementary to the PSCs and were approved by the Mauritanian Government and Mauritanian Parliament before becoming law in 2005. Woodside remains in discussions with the Mauritanian Government. No adjustment has been made to the financial report, and at the date of this report, the financial impact, if any, is not able to be estimated.

27. Key Management Personnel Compensation

(a) Key Management Personnel [1]

The Key Management Personnel of Woodside Petroleum Ltd. during the year were:

Name	Position	Period
Executive Director		
D Voelte	CEO and Managing Director	Entire year
Non-executive Directors		
C B Goode	Chairman	Entire year
R E S Argyle	Director (Non-executive)	Entire year
J R Broadbent	Director (Non-executive)	Entire year
A T Calvert	Director (Non-executive)	Appointed 1 September 2005
M A Chaney	Director (Non-executive)	Appointed 30 November 2005
B P T de Wit	Director (Non-executive)	Retired 15 February 2005
E Fraunschiel	Director (Non-executive)	Entire year
A Jamieson	Director (Non-executive)	Appointed 16 February 2005
P H J M Jungels	Director (Non-executive)	Entire year
D I McEvoy	Director (Non-executive)	Appointed 1 September 2005
P J B Rose	Director (Non-executive)	Retired 12 September 2005
P M vanRossum	Director (Non-executive)	Entire year
T N Warren	Director (Non-executive)	Entire year
Executives		
R A Carroll	Chief Financial Officer	Appointed 21 March 2005
M Chatterji	Director Mergers & Acquisitions	Entire year
J A Hamilton	Director North West Shelf Ventures	Entire year
A J Kantsler	Director Exploration & New Ventures	Entire year
D P Maxwell	Director Gas & Commercial	Ceased employment 1 July 2005
D G Parkinson	Director Development	Entire year
K W Spence	Chief Operating Officer	Entire year

(1) Includes members of the Woodside Executive Committee who may be considered the executives with the 'greatest authority'.

27. Key Management Personnel Compensation (continued)

(b) Woodside Structure and Employees

Woodside Petroleum Ltd. is the listed parent and holding company of the Woodside group of companies. The Managing Director and Chief Executive Officer (CEO), Mr Donald Voelte, is the only person employed by Woodside Petroleum Ltd. Most employees of the Woodside group of companies, including the key management personnel discussed in this report, are employed by Woodside Energy Ltd.

The remuneration disclosure and practices discussed in this report relate to both Woodside Petroleum Ltd. and the Woodside group.

Remuneration Policy

The Board recognises that Woodside's performance is dependent on the quality of its people. To achieve its financial and operating objectives, Woodside must be able to attract, retain, and motivate, highly skilled executives. Woodside's executive remuneration policy and principles have been designed to ensure that Woodside:

- provides competitive rewards that attract, retain and motivate executives of the highest calibre;
- sets demanding levels of performance which are clearly linked to an executive's remuneration;
- structures remuneration at a level that reflects the executive's duties and accountabilities and is competitive within Australia and, for certain roles, internationally;
- benchmarks remuneration against appropriate comparator groups at the 75th percentile;
- aligns executive incentive rewards with the creation of value for shareholders; and
- complies with applicable legal requirements and appropriate standards of governance.

Woodside's desire to remunerate executives fairly and responsibly and in accordance with the Australian (and in some instances, international) market is achieved by ensuring that:

- the level and composition of remuneration is sufficient and reasonable;
- there is a clear relationship between the performance of Woodside, individual performance and remuneration;
- the policy underlying executive remuneration is openly communicated to and understood by executives; and
- the approach to executive remuneration demonstrates continuity and consistency with minimum exceptions.

Executive remuneration is reviewed annually having regard to individual and business performance against agreed financial and non-financial performance measures set at the start of the year, relevant comparative information and expert advice from both internal and independent external sources.

27. Key Management Personnel Compensation (continued)

(c) Remuneration Structure

Woodside's remuneration structure for the CEO and senior executives is divided into two principal components:

- Fixed Annual Reward ('FAR'); and
- Variable Annual Reward ('VAR'), which includes a short-term incentive ('STI') and a long-term incentive ('LTI').

Fixed Annual Reward

The FAR component of executive remuneration comprises base salary, superannuation contributions and other allowances such as motor vehicle and health insurance. It is determined by the scope of each executive's role, level of knowledge, skill and experience along with their individual performance. Woodside annually reviews, forecasts and benchmarks this component of executive remuneration against appropriate market comparisons using information and advice from external consultants.

Variable Annual Reward

The Executive Incentive Plan, commencing 1 January 2005, was approved by shareholders at the Annual General Meeting on 19 April 2005.

A Base Incentive Pool is established for each Performance Year by reference to market data on variable rewards. It is calculated as the sum of each participant's fixed annual reward multiplied by their variable pay percentage. The Base Incentive Pool is adjusted up or down after the end of the year to produce an Annual Incentive Pool, as measured by Woodside Economic Value Added ('EVA'*). No VAR is payable if the adjustment results in a Pool Deficit. A Pool Deficit occurs in any Performance Year if the adjustment to the Base Incentive Pool, which takes movements in internal and external Risked Asset Value ('RAV') into consideration, produces a negative Annual Incentive Pool value.

Under the plan, the CEO and senior executives are entitled to a percentage of the Annual Incentive Pool (their VAR) which comprises a short-term cash incentive and a long-term Variable Pay Right ('VPR') incentive as follows:

Type	Allocation	Incentive	Right	Payment timing
STI	40%	Cash	Entitlement	April following the Performance Year
LTI	20%	Time-tested VPR	Conditional entitlement	Three years from allocation date
LTI	40%	TSR[1]-tested VPR	Conditional entitlement	Between three and five years from allocation date

(1) Total shareholder return

The vesting conditions are as follows:

Cash	• No resignation or dismissal before the end of the Performance Year
Time-tested VPR	• No resignation or dismissal prior to expiry of three years from Allocation Date
TSR-tested VPR	• TSR hurdle is satisfied for a period of 30 consecutive days, between three and five years from Allocation Date • No resignation or dismissal prior to TSR hurdle being satisfied

No VAR is payable if an unacceptable level of performance is noted in the executive's individual Performance Assessment, as assessed after the end of a Performance Year.

* EVA ® is a registered trademark of Stern Stewart and Co.

27. Key Management Personnel Compensation (continued)

(c) Remuneration Structure (continued)

The TSR Hurdle Rate will be set by the Board with reference to the Cost of Equity Capital at that time. Executives will be notified of the TSR Hurdle Rate for each allocation of TSR-tested VPR and once the TSR Hurdle Rate is set, it will apply throughout the VPR vesting cycle.

The Board will determine from time to time whether VPRs are to be satisfied in cash or in Woodside shares at the time of vesting.

If there is any variation in Woodside's capital structure (including any pro-rata issue, consolidation or subdivision) while VPRs remain outstanding, the number of VPRs will be adjusted to maintain value equivalence between one VPR and one Woodside share.

If an executive's employment is terminated by Woodside with cause or due to resignation during the Performance Year, the executive will receive no cash incentive payment and no VPR.

If an executive dies or suffers total and permanent disability, all VPRs which have been allocated to the executive will immediately vest.

Subject to the discretion of the Board, VPRs may immediately vest in the event of a change of control of Woodside.

The Board has power under the rules of the EIP to terminate, suspend or amend the EIP, and to alter the management or administration of the EIP. Board decisions about the operation of the EIP will be made on the recommendation of the Human Resources and Compensation Committee.

Further details on how the EIP operates are set out in the rules and in the Notice of 2005 Annual General Meeting, copies of which are available on the website (www.woodside.com.au).

Transitional arrangements

The variable components of executive remuneration disclosed in this report relate to Woodside’s previous STI and LTI plans as the variable components of remuneration for any given year are not finally determined and paid until the following year. The variable components are therefore reported on a “lag” basis, and relate to incentives which were earned in respect of the 2004 Performance Year but were finally determined and paid in 2005.

Transitional arrangements have been introduced to phase out the previous arrangements and bring all executives within the scope of the EIP. Details of the arrangements which applied in 2004 are set out below along with any transitional arrangements.

It is expected that in the 2008 Performance Year, variable components of remuneration for all eligible executives will be set by reference to the EIP.

Short-term incentives for 2004

The short-term incentive component of executive remuneration for the 2004 Performance Year comprised an annual cash incentive which was linked to the performance of both Woodside and the individual executive.

The Board set a series of key performance indicators (KPIs) for Woodside which were linked to Woodside’s business principles, budget and business plan. The degree to which these KPIs were achieved determined the size of the total incentive pool available for distribution to all employees by way of a short-term incentive payment.

Woodside’s KPIs for the 2004 Performance Year were based on three primary areas – Business Financials, Internal Risked Asset Value (iRAV) and Health Safety and Environment.

The assessment was based on three levels of performance – ‘met expectations’, ‘below expectations’ and ‘exceeded expectations’ and the methods used to assess performance were chosen as the most objective approach.

Business Financials focused on net profit after tax and was chosen as an appropriate financial measure of contribution to shareholder value. Performance was measured by comparing actual results against the targets set by the Board.

27. Key Management Personnel Compensation (continued)

(c) Remuneration Structure (continued)

iRAV focused on the value of assets and cash flows generated in excess of expectations (net of any external factors) and was chosen as an appropriate measure of contribution to shareholder value. Performance was measured by comparing actual results against the targets set by the Board.

Health Safety and Environment focused on the number of fatalities, time injury frequency, reportable spills and environmental incidents during the 2004 Performance Year. These were considered critical measures of employee safety and environmental responsibility. Performance was measured by comparing the number of incidents against the benchmarks set by the Board.

The proportion of the 2004 short-term incentive pool received by an individual executive was determined by the extent to which the executive achieved the KPIs set out in their individual performance agreement. The executive's performance agreement was agreed at the commencement of 2004 to ensure they met specific business objectives for which the individual was responsible. The quantum of the incentive was determined by the CEO and recommended to the Human Resources and Compensation Committee for approval on the basis of demonstrated performance at the end of the 2004 Performance Year.

Long-term incentives for 2004

The long-term incentive component of executive remuneration for the 2004 Performance Year involved the provision of an interest-free limited-recourse loan which was used to purchase Woodside shares under the WESP. The WESP is a broadly based employee share plan available to all Woodside employees. The WESP was last approved by shareholders in 1997 and participation is at Board discretion.

The value of the loan made available to an executive under the WESP was linked to the scope and complexity of the executive's role within Woodside, and based on a percentage of the executive's FAR. Loans provided under the WESP are reduced by a portion of the dividends paid on the shares acquired with those loans and topped up on an annual basis. As part of the transition to the EIP, the grant of loans and the top-up of loans to senior executives under the WESP ceased with effect from 30 June 2004.

As shares acquired under the WESP are restricted for a period of three years after acquisition, the WESP remains a long-term incentive component of executive remuneration for some executives. While these executives continue to receive benefits from prior allocations under the WESP, their VPR entitlements (that is, the long-term variable component of their remuneration) under the new EIP will be reduced by the value of any WESP benefits received.

Any executives that participate in the WESP will be required to refinance or repay their outstanding WESP loans by 31 December 2007.

(d) Relationship between remuneration and Woodside performance

The Human Resources and Compensation Committee and the Board continually seek to strengthen the link between executive remuneration and Woodside's performance. The recently adopted EIP, which is described in more detail above, is an integral part of Woodside's overall approach to competitive performance-based remuneration.

Notwithstanding that there are a number of internal and external factors relevant to Woodside's performance over the past five years, the Board believes that the increase in shareholder wealth over the period can be, at least partly attributed to, the ability to attract, retain and reward executives which can, in turn, be linked to sound recruitment and remuneration policies Woodside has had in place.

27. Key Management Personnel Compensation (continued)

(d) Relationship between remuneration and Woodside performance (continued)

The following charts illustrate Woodside's performance during 2005 and the previous four years[3].

Year ended 31 December	2005	2004	2003	2002	2001
Net profit after tax ($m)	1,107	1,146	527	(92)	910
Earnings per share (cents)	169.0	175.3	79.0	(13.8)	136.5
Dividends per share (cents) (1)	93.0	59.0	46.0	62.0	70.0
Dividend payout ratio (%)	56.0	34.3	58.2	(449.3)	51.3
Shares closing price ($)	39.19	20.10	14.80	12.38	13.39
5-year rolling TSR (%)	29.4	19.8	22.7	8.5	12.9
STI awards paid/payable to executives as % of NPAT	0.50	0.13	0.74	(3.01)	0.23
LTI awards paid/payable to executives as % of NPAT (2)	0.75	-	-	-	-

(1) Dividends per share for 2002 includes a 41.0 cents dividend that was declared after 31 December 2002.

(2) This reflects the value of long-term incentive awards made to the executives under the EIP only. Prior to 2005, long-term incentives involved the provision of an interest-free limited-recourse loan to the executives under the WESP with the value of the loan allocated being based on an executive's role and expressed as a percentage of FAR. It is therefore not possible to express the LTIs awarded prior to 2005 as a percentage of NPAT.

(3) Periods prior to 1 January 2004 have not been restated under AIFRS.

(e) Executive Directors

At the date of this report the Chief Executive Officer ('CEO'), Mr Donald Voelte, is the only Executive Director on the Board.

Employment contract

Mr Voelte was appointed as Woodside's CEO with effect from 5 April 2004. Mr Voelte's employment contract with Woodside Petroleum Ltd. is for a term of 4 years and 360 days.

Under his employment contract, Mr Voelte receives an annual salary, participates in the EIP (subject to the matters described in more detail below) and receives the superannuation, health insurance and other benefits available to Woodside executives.

Remuneration

The remuneration provisions of Mr Voelte's employment contract as it applied for 2005 provided for:

- A FAR of $1,650,000 p.a. (subject to annual review in accordance with his employment contract).
- A VAR of 85% of FAR under the EIP, which will be adjusted depending on Woodside's company performance with reference to Woodside EVA®, the CEO's individual performance and board discretion. The VAR allocation includes a:
  - **short-term incentive component:** 40% of the VAR will be paid in cash with Mr Voelte's salary in the April following the allocation of a VAR; and
  - **long-term incentive component:** 60% of the VAR will be allocated as VPRs.

In addition, the Board exercised its discretion at its February 2006 meeting, in the light of the CEO's performance during 2005, to grant a one-off TSR-tested VPR award of $1 million.

For further details on the EIP see the section above on "Variable Annual Reward".

Chief Executive Officer performance conditions for 2004

The CEO KPIs for the 2004 Performance Year were based on eight primary areas and assessed against three levels of performance – 'met expectations', 'below expectations' and 'exceeded expectations'. The methods used to assess performance were chosen for their objectivity.

The Board determined performance against the following KPIs based on measuring/evaluating actual performance against targets set by the Board. **Business Financials** that relate to net profit after tax, overall portfolio value creation and reserves additions and was chosen as an appropriate financial measure of contribution to shareholder value. **Health Safety and Environment** which focuses on fatalities, time injury frequency, reportable spills and environmental incidents. These were considered critical measures of employee safety and environmental responsibility. **Risk Identification and Management** which focuses on security and crisis management and was chosen as a critical measure of security and risk. **External and Internal Relationships** which relates to government relations, stakeholder relations and indigenous affairs and is designed to measure Woodside's reputation across community relations/responsibility. **Strategic Development** which focuses on strategic planning capability and new entry strategies. **Governance and Compliance** which relates to external compliance, risk management and internal controls. **HR Development and Succession Planning** which focuses on recruitment and selection of critical business executive roles, people and performance management and executive succession planning. **Vision and Values** which relates to integrity and courage.

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27. Key Management Personnel Compensation (continued)

(e) Executive Directors (continued)

CEO short-term incentive for 2004

Mr Voelte's short-term incentive opportunity for the 2004 Performance Year ranged from 25% of FAR for meeting performance expectations up to 62.5% of FAR for exceeding performance expectations, as outlined in the remuneration provisions of his employment contract. Based on Mr Voelte's performance in 2004 (as measured against the relevant performance conditions), the Board determined that Mr Voelte's short-term incentive award for the 2004 Performance Year was 40% of FAR. This award was pro-rated based on Mr Voelte's nine months of service in 2004 and resulted in a payment of $405,000.

CEO long-term incentive for 2004

The Board determined that the long-term incentive payable to Mr Voelte in respect of the 2004 Performance Year would be a base value, at the date of grant, of 60% of FAR. For performance above or below this level, the base long-term incentive value would be increased or reduced as determined by the Board in its discretion.

Mr Voelte's long-term incentive payment determined for the 2004 Performance Year was $1,106,994 based on the achievement of the performance conditions for 2004 (see above). Based on this determination, Woodside acquired 69,404 Woodside shares on-market which are now held in trust for Mr Voelte. The number of shares acquired was calculated by dividing the long-term incentive amount by $15.95 (being the price of a Woodside share as quoted on the ASX at the commencement of trading on the date of commencement of Mr Voelte's employment contract). The acquisition was made on 15 April 2005, at the market price on that day of $24.1096, for a total value of $1,673,303.

Mr Voelte may not deal with or dispose of any of the shares acquired and held on trust for him until the earlier of:

- the end of a period of 10 years commencing on the grant date;
- the time when Mr Voelte ceases to be employed by Woodside; or
- the time when any person acquires a relevant interest in 50.1% of Woodside's issued share capital.

Total "at risk" remuneration

The percentage of Mr Voelte's total remuneration for the 2004 Performance Year "at risk" was 46%.

Other benefits

Mr Voelte's employment in Australia may have adverse tax consequences for Mr Voelte and his wife in respect of his non-Australian income. Woodside has agreed to a limited "taxation equalisation" provision to compensate for this. Mr Voelte and his wife may claim reimbursement of tax paid or payable to the Australian Taxation Office for income or gain in relation to certain disclosed investments in the USA to a maximum of US$500,000 over the term of Mr Voelte's employment.

Termination

Mr Voelte's employment contract may be terminated by:

- expiry;
- Mr Voelte, at any time during the term of the agreement on giving six months' notice;
- Woodside, immediately in the event of serious misconduct or in other nominated circumstances;
- Woodside, at any time during the term of the agreement on giving written notice; and
- Mr Voelte's death.

On termination of the agreement for any of the reasons outlined above, Mr Voelte (or his estate in the event of his death) will be entitled to:

- payment or award of any FAR calculated up to the termination date;
- any annual leave entitlement accrued as at the termination date; and
- any payment or award under the EIP or the 2004 long-term incentive calculated to the termination date (other than where his employment contract is summarily terminated).

If Mr Voelte resigns, Woodside may terminate Mr Voelte's employment before the notice period has expired and pay him an amount equal to a proportion of the FAR, at the time at which notice is given, which corresponds to the remainder of the notice period which was not worked by Mr Voelte.

If Woodside terminates Mr Voelte's employment during the term of his employment contract (other than on certain stipulated grounds such as misconduct), Mr Voelte will also be entitled to a termination payment equivalent to his FAR, as at the termination date, calculated over a period which is the lesser of:

- 18 months; or
- if termination takes place in the final 18 months of the term of his employment contract, the balance of the period until the expiry of the term.

27. Key Management Personnel Compensation (continued)

(e) Executive Directors (continued)

This payment is subject to statutory and regulatory restrictions.

Mr Voelte is restrained from certain activities for specified periods after termination of his employment in order to protect Woodside's interests. Mr Voelte's employment contract also contains provisions for the protection of Woodside's interests in areas such as confidential information, intellectual property and moral rights.

(f) Key Management Personnel

Contracts for Key Management Personnel

This section contains information relating to the Key Management Personnel. During 2005 Woodside entered into a new Executive Employment Agreement with each executive.

A summary of the new contractual provisions for the Key Management Personnel is set out in the following table:

Name and job title	Employing company	Contract duration	Notice period company	Notice period employee	Termination provisions
R A Carroll, Chief Financial Officer	Woodside Energy Ltd.	Unlimited	12 months	6 months	Woodside may choose to terminate the contract immediately by making a payment equal to 12 months' FAR in lieu of notice.
M Chatterji, Director Mergers & Acquisitions	Woodside Energy Ltd.	Fixed-term contract until 31/12/2006 with two one-year options for extension by both parties	18 months	6 months	Woodside may choose to terminate the contract immediately by making a payment equal to 18 months' FAR in lieu of notice.
J A Hamilton, Director North West Shelf Ventures	Woodside Energy Ltd.	Unlimited	12 months	3 months	Woodside may choose to terminate the contract immediately by making a payment equal to 12 months' FAR in lieu of notice.
A J Kantsler, Director Exploration & New Ventures	Woodside Energy Ltd.	Unlimited	12 months	6 months	Woodside may choose to terminate the contract immediately by making a payment equal to 12 months' FAR in lieu of notice.
D G Parkinson, Director Development	Shell International Exploration & Production	Unlimited (Secondment to Woodside - 15/7/2007)	3 months (Shell)	3 months (Shell)	Secondee from Shell.
K W Spence, Chief Operating Officer	Woodside Energy Ltd.	Unlimited	12 months	6 months	Woodside may choose to terminate the contract immediately by making a payment equal to 12 months' FAR in lieu of notice.

27. Key Management Personnel Compensation (continued)

(f) Key Management Personnel (continued)

Key Management Personnel remuneration

As described above, Key Management Personnel will be eligible to participate in the EIP as part of their remuneration with effect from 1 January 2005. The final level of this "at risk" remuneration for any Performance Year is recommended by the CEO to the Board for final approval.

Set out below are the short and long-term incentives for Key Management Personnel made in 2005 in respect of the 2004 Performance Year. Details of these previous arrangements are outlined earlier in this report.

Incentives paid in 2005[1]

Name	Value of short-term incentive paid in 2005 (% of Fixed Annual Reward)	Value of long-term incentive paid in 2005 (% of Fixed Annual Reward)	Percentage of remuneration "at risk" for 2004 Performance Year
R A Carroll	Not applicable	Not applicable	Not applicable
M Chatterji	18.9%	Not applicable	15.9%
J A Hamilton	18.2%	Not applicable	15.4%
A J Kantsler	16.4%	Not applicable	14.1%
D P Maxwell	13.5%	Not applicable	11.9%
D G Parkinson	Not applicable	Not applicable	Not applicable
K W Spence	17.5%	Not applicable	14.9%

(1) This table reflects payments made in 2005 in respect of 2004 performance. There was no LTI awarded in 2005 in respect of the 2004 Performance Year, due to the transition arrangements to the EIP.

(g) Non-executive Directors

Remuneration policy

The Board recognises that, in order to achieve Woodside's financial and operating objectives, Woodside must be able to attract, retain and motivate talented non-executive Directors.

Woodside's non-executive Directors remuneration policy aims to reward non-executive Directors fairly and responsibly having regard to:

- the level of fees paid to Directors relative to other major Australian companies;
- the size and complexity of Woodside's operations; and
- the responsibilities and work requirements of individual Board members.

Fees paid to non-executive Directors of Woodside are recommended by the Human Resources and Compensation Committee based on advice from external remuneration consultants and determined by the Board, subject to the aggregate limit of $2,300,000 approved by shareholders at the 2004 Annual General Meeting.

Remuneration payable

Non-executive Director remuneration consists only of base fees, committee fees and superannuation contributions (or payments in lieu of such contributions). Fees payable to non-executive Directors are reviewed annually and fixed by the Board. Non-executive Directors are not entitled to incentive rewards for annual results or otherwise according to Woodside's performance.

Board fees are not paid to executive Directors as the time spent on Board work and the responsibilities of Board membership are considered in determining the remuneration package provided as part of their normal employment conditions.

27. Key Management Personnel Compensation (continued)

(g) Non-executive Directors (continued)

Annual Board and Committee fees payable to non-executive Directors

Position	Annual fee up to 31 March 2005 $	Annual fee from 1 April 2005 $
Chairman of the Board	409,349 (inclusive of all committee work)	409,349 (inclusive of all committee work)
Non-executive Director other than the Chairman	113,495	124,845
Chairman of the Audit & Risk Committee	21,000	31,500
Chairman of a Board Committee other than the Audit & Risk Committee	21,000	21,000
Member of a Board Committee other than the Chairman of that Committee	14,000	14,000

In addition to these fees, non-executive Directors are entitled to:

- either a contribution to superannuation or an allowance equivalent to the Superannuation Guarantee Levy (currently 9%), dependent on their personal circumstances and based on Board and committee fees; and
- all reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, Committees or shareholders or while engaged on Woodside business.

There are no provisions in any of the non-executive Directors' appointment arrangements for compensation payable on early termination of their directorship.

Equity participation

Under the terms of the Non-Executive Directors' Share Plan ('NEDSP'), non-executive Directors may elect to sacrifice a percentage of their remuneration to be applied to the purchase of shares of the Company. These shares are acquired by on-market purchase. Participation in the NEDSP is voluntary and therefore the shares are not subject to performance conditions.

27. Key Management Personnel Compensation (continued)

(h) Compensation of Key Management Personnel of Woodside Petroleum Ltd.

		Short-term					Post employment		Share-based payment	
		Cash salary and fees		Cash bonuses	Non-monetary		Pension super	Prescribed benefits		
		Salaries, fees and allowances $ (a)	NEDSP $ (b)	Short-term incentive/ bonus $	Benefits and allowances $ (c)	Termination benefits $	Company contributions to superannuation $	Directors' retiring allowance $	Share plan $ (d)	Total $
Executive Director										
D Voelte	2005	1,495,703	-	405,000	57,039	-	11,862	-	1,673,303	3,642,907
	2004	989,384	-	-	111,482	-	8,543	-	-	1,109,409
Non-Executive Directors										
C B Goode	2005	68,076	341,273	-	-	-	36,841	-	-	446,190
	2004	156,037	223,862	-	-	34,191	-	13,667	-	427,757
R E S Argyle	2005	152,057	4,950	-	-	-	14,131	-	-	171,138
	2004	120,797	21,866	-	-	12,840	-	29,760	-	185,263
J R Broadbent	2005	108,436	43,691	-	-	-	13,691	-	-	165,818
	2004	71,540	61,790	-	-	12,000	-	15,032	-	160,362
A T Calvert	2005	42,797	12,737	-	-	-	-	-	-	55,534
	2004	-	-	-	-	-	-	-	-	-
M A Chaney	2005	13,962	-	-	-	-	-	-	-	13,962
	2004	-	-	-	-	-	-	-	-	-
K A Dean (e)	2005	-	-	-	-	-	-	-	-	-
	2004	29,983	-	-	-	-	2,698	-	-	32,681
B P T de Wit (e)	2005	15,393	-	-	-	-	-	-	-	15,393
	2004	114,810	-	-	-	-	-	-	-	114,810
E Fraunschiel	2005	164,462	-	-	-	-	-	-	-	164,462
	2004	137,700	-	-	-	-	-	45,467	-	183,167
A Jamieson (e)	2005	116,775	-	-	-	-	-	-	-	116,775
	2004	-	-	-	-	-	-	-	-	-
P J M H Jungels	2005	170,180	23,916	-	-	-	-	-	-	194,096
	2004	132,417	42,393	-	-	-	-	39,623	-	214,433
D I McEvoy	2005	50,948	-	-	-	-	4,585	-	-	55,533
	2004	-	-	-	-	-	-	-	-	-
P J B Rose	2005	7,559	136,230	-	-	-	-	-	-	143,789
	2004	69,836	83,124	-	-	-	6,783	-	-	159,743
R H Searby	2005	-	-	-	-	-	-	-	-	-
	2004	25,903	-	-	-	2,332	-	4,038	-	32,273
P M van Rossum (e)	2005	148,248	-	-	-	-	-	-	-	148,248
	2004	96,958	-	-	-	-	-	-	-	96,958
T N Warren (e)	2005	163,508	-	-	-	-	-	-	-	163,508
	2004	145,330	-	-	-	-	-	-	-	145,330

(a) Mr Voelte elected to be paid his balance of superannuation benefits as a superannuation-in-lieu allowance. The amount is included in salaries, fees and allowances.
(b) Participation in the Non-Executive Directors' Share Plan.
(c) Reflects the value of allowances and benefits including but not limited to travel, motor vehicles and health insurance.
(d) Mr Voelte's long-term incentive for the 2004 Performance Year based on 69,404 shares purchased at the share price of $24.1096.
(e) Board fees for Directors nominated by Shell are paid directly to their employing company, not to the individuals.

27. Key Management Personnel Compensation (continued)

(i) Compensation of Key Management Personnel of the Woodside Group

		Short-term			Other	Post employment	Equity	
		Cash salary and fees	Cash bonuses	Non-monetary		Pension super	Options and rights	
		Salaries, fees and allowances $	Short-term incentive/ bonus $	Benefits and allowances $ (a)	Termination/ sign-on benefits $	Company contributions to superannuation $	Share plan $ (b),(c)	Total $
D W Bailey,	**2005**	-	-	-	-	-	-	-
Chief Financial Officer	2004	495,916	1,341,086	5,802	10,401	9,362	308,737	2,171,304
R A Carroll,	**2005**	**451,575**	-	**5,532**	**341,343**	**36,052**	-	**834,502**
Chief Financial Officer	2004	-	-	-	-	-	-	-
M Chatterji,	**2005**	**351,367**	**126,898**	**53,464**	-	**62,526**	-	**594,255**
Director Mergers & Acquisitions	2004	125,966	-	4,785	-	21,886	-	152,637
J A Hamilton,	**2005**	**377,415**	**119,614**	**30,648**	-	**15,705**	-	**543,382**
Director North West Shelf Ventures	2004	321,137	207,836	31,241	-	24,639	189,660	774,513
A J Kantsler,	**2005**	**420,899**	**83,194**	**38,324**	-	**78,340**	-	**620,757**
Director Exploration & New Ventures	2004	379,682	276,856	49,381	-	72,921	115,003	893,843
D Maxwell,	**2005**	**191,023**	**68,347**	**43,223**	**668,957**	**60,248**	-	**1,031,798**
Director Gas & Commercial	2004	375,103	311,635	52,114	-	118,260	148,892	1,006,004
S Ollerearnshaw, (d)	**2005**	**262,440**	**440,334**	**60,257**	**749,216**	**75,860**	-	**1,588,107**
Chief Executive Officer, North West Shelf Ventures	2004	1,054,351	118,925	195,700	-	432,960	-	1,801,936
D G Parkinson, (d)	**2005**	**855,257**	**105,019**	**82,008**	-	**165,090**	-	**1,207,374**
Director Development	2004	578,347	63,054	364,700	-	-	228,174	1,234,275
K W Spence,	**2005**	**598,926**	**222,401**	**39,072**	-	**135,070**	-	**995,469**
Chief Operating Officer	2004	603,092	400,000	24,639	-	154,130	191,370	1,373,231

(a) Reflects the value of allowances and benefits including, but not limited to travel, motor vehicles and health insurance.

(b) There was no LTI awarded in 2005 in respect of the 2004 Performance Year, due to the transition arrangements to the EIP.

(c) There is a 2005 executive and senior staff compensation pool. The allocation to specific staff and executives will occur in March 2006 being dependent upon individual staff performance reviews. The allocation to individuals cannot be made until the performance rating assessment is complete. The estimated obligation for the bonus pool is $11,800,000, in aggregate, which will be allocated to the 30 executives and staff members entitled to the pool compensation. Key management personnel reported above are entitled to this compensation.

(d) Expatriate employees on secondment from Shell.

27. Key Management Personnel Compensation (continued)

(j) Key Management Personnel Shareholdings

Details of shares held by Key Management Personnel including their personally related entities for the financial period are as follows:

	Opening holding	NEDSP (a)	WESP (b)	Aquired/ (disposed) (c)	Closing holding
Executive Director					
D Voelte	-	-	-	69,404	69,404
Non-Executive Directors					
C B Goode	181,459	14,902	-	20,000	216,361
R E S Argyle	18,961	679	-	(200)	19,440
J R Broadbent	43,918	2,439	-	-	46,357
A T Calvert	-	262	-	-	262
M A Chaney	-	-	-	-	-
B P T de Wit	-	-	-	-	-
E Fraunschiel	32,702			20,000	52,702
A Jamieson	3,000	-	-	-	3,000
P H Jungels	5,915	1,452	-	-	7,367
D I McEvoy	-	-	-	2,500	2,500
P J B Rose	30,472	6,005	-	-	36,477
P M van Rossum	-	-	-	-	-
T N Warren	-	-	-	-	-
Key Management Personnel					
D W Bailey	185,632	-	-	-	185,632
R A Carroll	-	-	-	-	-
M Chatterji	-	-	-	-	-
J A Hamilton	115,115	-	(115,115)	-	-
A J Kantsler	173,808	-	(49,363)	-	124,445
D Maxwell	178,852	-	(74,060)	-	104,792
D G Parkinson	-	-	-	-	-
K W Spence	242,043	-	(83,610)	-	158,433

(a) Relates to participation in the Non-Executive Directors' Share Plan.
(b) Represents the number of shares issued/(redeemed) under the Woodside Employee Share Plan.
(c) Includes for non-executive Directors their election to convert the balance of their Directors' retiring allowance to shares in Woodside.

27. Key Management Personnel Compensation (continued)

(k) Loans to Key Management Personnel including their Personally Related Entities

There are no loans to Non-executive Directors.

Loans to Key Management Personnel are made in accordance with the Woodside Employee Share Plan and are on the same terms and conditions available to other employees. Details of individuals with loans above $100,000 in the reporting period are as follows:

	Opening balance $	Net additional borrowings $	Closing balance $	Highest owing in period $
D W Bailey	2,409,049	(91,498)	2,317,551	2,409,049
J A Hamilton	1,506,031	(1,506,031)	-	1,506,031
D Maxwell	1,992,915	(713,284)	1,279,631	1,992,915
A J Kantsler	1,995,961	(658,985)	1,336,976	1,995,961
K W Spence	2,752,133	(657,436)	2,094,697	2,752,133

28. Related Party Disclosure

(a) Entities with significant influence over the entity

Shell Energy Holdings Australia Ltd. is deemed to be a related party through its 34.27% (2004: 34.27%) interest of 228,456,275 ordinary shares (2004: 228,456,275 ordinary shares) in the shareholding of Woodside.

During the year, petroleum products with a total value of $21,720,000 (2004: $9,021,000) were purchased from Shell Company of Australia by the Group in its own right or as operator of various joint ventures. These transactions were on normal commercial terms and conditions. At year end, the liability outstanding to Shell in relation to these purchases was $1,174,000 (2004: $36,000).

During 2004, the Group entered into a Condensate Sales Agreement with Shell Company of Australia in relation to the Otway gas/condensate project on normal terms and conditions. No sales under this agreement occurred during the year (2004: $nil).

Shell Energy Holdings Australia Ltd. is a member of the Royal Dutch/Shell Group. Companies within the Royal Dutch/Shell Group provide the Group with various technical services, technology, research and information networks and secondment of management and technical staff. The cost of these various services to the Group was $16,840,000 (2004: $16,142,000).

The Group sold $184,271,000 (2004: $55,202,000) of oil and gas products to members of the Royal Dutch/Shell Group on normal commercial terms and conditions. At year end, the trade receivable outstanding in relation to these sales was $nil (2004: $116,000).

Shell and Woodside have common interests in joint ventures (refer Note 31).

The Group acquired permit interests from a subsidiary of Shell during the year. A payment of $123,143,000 was made for this interest (2004: $nil).

(b) Transactions with related parties in the wholly owned group

Dividends, interest received/receivable and diminution in value of investments in subsidiaries are as per Note 3. Current amounts receivable from controlled entities in Note 7 are intercompany current balances that attract interest at commercial rates. Non-current amounts receivable from controlled entities in Note 7 are long term interest-free intercompany advances. Non-current amounts payable to controlled entities in Note 13 are long-term interest-free intercompany advances. Refer to Note 34 for a description of the relationship between the parent company and its controlled entities.

(c) Transactions with associates

Recruitment services were provided to the Group under normal terms and conditions by HR Connect Pty. Ltd. totalling $22,730,000 (2004: $24,801,000). At the year end the liability outstanding to HR Connect Pty. Ltd. was $399,000 (2004: $762,000).

29. Contingent Liabilities

(a) The Group has guarantees of $1,650,000 (2004: $1,300,000) in place in relation to workers' compensation liabilities.

(b) Woodside Petroleum Ltd., together with certain controlled entities, have guaranteed the discharge by Woodside Finance Ltd. of its financial obligations under debt facilities mentioned in Note 22. See Note 34(a) regarding a deed of cross guarantee.

(c) In April 2005, Hardman Chinguetti Production Pty Ltd ('Hardman') filed a writ in the Supreme Court of Western Australia against Woodside Mauritania Pty Ltd. ('WMPL'), WEL Mauritania BV ('WEL M BV') and the other joint venture partners in deepwater blocks 4 and 5 in offshore Mauritania ('Area B'), seeking a declaration as to how the joint venture partners should share the recovery of certain costs incurred by WMPL and another pursuant to their farm-in obligations ('Farm-in Costs'), from production in Area B. WMPL and WEL M BV are defending the writ. The amount of the Farm-in Costs in Area B at issue for WMPL and WEL M BV is estimated to be US$17,000,000 (before tax, not adjusted for timing of recovery from production and subject to clarification by Hardman of its position).

	Consolidated		Parent	
	2005 $000	2004 $000	**2005 $000**	2004 $000
30. Auditor Remuneration				
Amounts received or due and receivable by the auditors for:				
Ernst & Young Australia				
Auditing and review of financial reports	**1,184**	1,444	**-**	40
International accounting standards assurance	**251**	288	**-**	-
Other assurance/advisory services	**250**	193	**-**	-
Other accounting services	**73**	65	**-**	-
	1,758	1,990	**-**	40
Ernst & Young Global				
Auditing of financial reports	**288**	12	**-**	-
	288	12	**-**	-
Amounts received or due and receivable by auditors other than Ernst & Young for:				
Auditing and review of financial reports	**47**	38	**-**	-
Other accounting services	**298**	1,116	**-**	-
	345	1,154	**-**	-

31. Joint Ventures

(a) The Group has the following interests in joint venture assets. Related party interests are indicated in brackets []:

Joint assets	Principal activities	Ownership interest %	
North West Shelf Joint Ventures			
LNG	Development and production of hydrocarbons	16.7	[16.7]
China LNG		12.5	[12.5]
Domestic gas		50.0	[8.3]
Gas recycling		16.7	[16.7]
LPG		16.7	[16.7]
Incremental pipeline gas		16.7	[16.7]
Related joint venture entities			
North West Shelf Gas Pty. Ltd.		16.7	[16.7]
North West Shelf Liaison Company Pty. Ltd.		16.7	[16.7]
International Gas Transportation Company Limited		16.7	[16.7]
North West Shelf Shipping Services Company Pty. Ltd.		16.7	[16.7]
Cossack	Development and production of crude oil	16.7	[16.7]
Wanaea		16.7	[16.7]
Hermes		16.7	[16.7]
Lambert		16.7	[16.7]
Egret		16.7	[16.7]
Dixon		16.7	[16.7]
Legendre Project Venture			
WA-20-L	Development and production of crude oil	45.9	
Laminaria Project Ventures			
AC/L5	Development and production of crude oil	66.7	
AC/L5 unitised area		59.9	
Mutineer-Exeter Project Venture			
WA-26-L and WA-27-L	Development and production of crude oil	8.2	
Enfield Project Venture			
WA-28-L	Oil project under construction	60.0	
Otway Project Venture			
VIC/P43	Gas project under construction	51.6	
T/30P		51.6	
Stybarrow Project Venture			
WA-255-P (P1,2)	Oil project under construction	50.0	
Chinguetti Project Venture			
Area B	Oil project under construction	47.4	
Ohanet Project			
Askarene Guelta	Development and production of LPG and condensate	15.0	
Dimeta West		15.0	
Ohanet North		15.0	
Ohanet South		15.0	

Notes to and forming part of the Full Financial Report

For the year ended 31 December 2005

31. Joint Ventures (continued)

Area	Ownership interest %	Area	Ownership interest %	Area	Ownership interest %
Carnarvon Basin – Exploration for hydrocarbons					
WA-28-P (P1,3,4)	15.8 [15.8]	WA-254-P (P1,3,4)	24.4	WA-294-P	48.1
WA-1-P	45.9	WA-254-P (P2)	17.1	WA-296-P	40.1
WA-191-P	8.2	WA-269-P	50.0	WA-297-P	25.2
WA-208-P	34.0	WA-271-P	60.0	WA-34-R	39.0
WA-248-P	45.0				
Browse Basin – Exploration for hydrocarbons					
R2	50.0 [8.3]	WA-28-R	25.0 [15.0]	WA-31-R	50.0 [8.3]
TR/5	50.0 [8.3]	WA-29-R	25.0 [15.0]	WA-32-R	50.0 [8.3]
WA-275-P	25.0 [15.0]	WA-30-R	50.0 [8.3]		
Timor Sea – Exploration for hydrocarbons					
AC/P8	66.7	JPDA 03-20	26.7 [33.3]	NT/RL2	35.0 [25.0]
JPDA 03-01	40.0	NT/P55	26.7 [33.3]		
JPDA 03-19	27.7 [32.3]				
Great Australian Bight – Exploration for hydrocarbons					
EPP 28	90.0	EPP 29	90.0	EPP 30	90.0
EPP 31	90.0				
Victoria (Gippsland, Otway) – Exploration for hydrocarbons					
T/30P	51.6	T/L2	51.6	VIC/P37(V)	62.5
T/34P	51.6	VIC/L23	51.6	VIC/P43	51.6
VIC/RL2	30.0				
Papua New Guinea – Exploration for hydrocarbons					
PRL 10	40.5				
Mauritania – Exploration for hydrocarbons					
Area A	53.9	Area C2	41.8	Block 7	15.0
Area B	53.9	Area C6	37.6	Block Ta11	75.0
Block Ta12	75.0				
Canary Islands – Exploration for hydrocarbons					
Canarias-1 to 9	30.0				
Sierra Leone – Exploration for hydrocarbons					
Block SL-6	50.0	Block SL-7	50.0		
Algeria – Exploration for hydrocarbons					
ALG-401D	26.3	ALG-408a/409	37.5		
Libya – Exploration for hydrocarbons					
NC205	45.0	NC207	45.0	NC209	45.0
NC206	45.0	NC208	45.0	NC210	45.0
Block 35	55.0	Block 36	55.0	Block 52	55.0
Block 53	55.0				
Kenya – Exploration for hydrocarbons					
Block L-5	50.0	Block L-7	50.0		
Liberia – Exploration for hydrocarbons					
Block LB-15	100.0				
Gulf of Mexico – Development and production of hydrocarbons					
BS41	25.0	HI85	11.3	VR16	20.0
EI78	40.0	HIA341	40.0	VR17	20.0
GA191	33.3	MC804	20.0	WC43	50.0
HI119	25.0	MI721L	42.5	WC49	25.0
HI52	50.0	MI806s	50.0	WC545	50.0
HI84	11.3	SS301	31.7	WC546	50.0

31. Joint Ventures (continued)

Area	Ownership interest %	Area	Ownership interest %	Area	Ownership interest %
Gulf of Mexico – Exploration for hydrocarbons					
AC117	25.0	GB903	50.0	GC972	50.0
AC445	45.0	GB905	33.3	GC973	50.0
AC489	45.0	GB906	33.3	GI27	70.0
AC490	45.0	GB935	20.0	HI131	25.0
AC533	45.0	GB936	20.0	HI164	33.3
AC534	45.0	GB937	20.0	HI51	50.0
AC73	25.0	GB943	33.3	HIA175	50.0
AT140	10.0	GB944	33.3	KC286	10.6
AT141	10.0	GB947	50.0	KC287	10.6
AT142	10.0	GB950	33.3	MC294	20.0
AT370	25.0	GB965	50.0	MC338	12.5
AT371	25.0	GB979	20.0	MC339	12.5
AT488	16.7	GB995	33.3	MC413	30.0
AT573	20.0	GC140	50.0	MC447	25.0
AT574	20.0	GC146	50.0	MC457	30.0
AT575	20.0	GC147	50.0	MC554	2.8
AT617	20.0	GC181	50.0	MC555	2.8
AT618	20.0	GC182	50.0	MC598	2.8
AT95	40.0	GC190	50.0	MC599	2.8
AT96	10.0	GC191	50.0	MC803	20.0
BA366	33.3	GC192	50.0	MC858	45.0
BA399	66.7	GC193	50.0	MC946	45.0
BAA39	50.0	GC226	50.0	MC993	45.0
BAA7	50.0	GC227	50.0	MI663	47.5
EB112	25.0	GC246	33.3	MI663L	47.5
EB156	25.0	GC284	12.5	MI689	60.0
EB157	25.0	GC328	12.5	MI699	50.0
EC268	50.0	GC388	25.0	MI803s	50.0
EC357	50.0	GC401	50.0	M1839s	50.0
EI111	50.0	GC410	12.5	MI807s	50.0
EI69	37.5	GC445	50.0	MU750L	50.0
EW908	50.0	GC45	50.0	MU775L	40.0
EW952	50.0	GC46	50.0	MU804	75.0
GA246L	40.0	GC532	50.0	SS36	75.0
GA313	62.5	GC573	50.0	VR137	50.0
GA345	25.0	GC574	50.0	VR6	20.0
GB598	50.0	GC688	25.0	WC103	40.0
GB642	50.0	GC710	50.0	WC116	43.8
GB813	50.0	GC749	50.0	WC129	6.3
GB814	50.0	GC755	50.0	WC24	50.0
GB815	50.0	GC793	50.0	WC335	50.0
GB817	50.0	GC798	50.0	WC40	25.0
GB818	33.3	GC799	50.0	WC495	50.0
GB822	50.0	GC841	50.0	WC567	50.0
GB858	50.0	GC842	50.0	WC568	50.0
GB860	33.3	GC843	50.0	WD108	30.0
GB861	33.3	GC885	50.0	WR121	6.8
GB875	33.3	GC925	50.0	WR122	6.8
GB901	50.0	GC96	50.0	WR342	33.3
State of Texas (USA) – Exploration for hydrocarbons					
MU771L	40.0				

31. Joint Ventures (continued)

	Consolidated 2005 $000	Consolidated 2004 $000	Parent 2005 $000	Parent 2004 $000
(b) The aggregate of the Group's interest in the assets in all joint venture assets is:				
Current assets				
Receivables	**56,307**	73,933	**-**	-
Inventories	**56,345**	31,070	**-**	-
	112,652	105,003	**-**	-
Non-current assets				
Exploration and evaluation	**537,717**	293,909	**-**	-
Oil and gas properties	**4,858,048**	3,267,435	**-**	
Inventories	**10,553**	11,489	**-**	-
	5,406,318	3,572,833	**-**	-
	5,518,970	3,677,836	**-**	-
(c) The aggregate of the Group's commitments through joint venture assets is:				
Operating lease	**190,265**	49,556	**-**	-
Capital expenditure	**1,053,432**	628,378	**-**	-
Other expenditure	**397,628**	217,437	**-**	-
	1,641,325	895,371	**-**	-

31. Joint Ventures (continued)

(d) Details regarding joint venture entities are as follows:

Entity	Principal activity	Country of incorporation	Carrying amount of investment $000 2005	Carrying amount of investment $000 2004	Equity % held 2005	Equity % held 2004
North West Shelf Gas Pty. Ltd.	Marketing services for venturers in the sale of gas to the domestic market.	Australia	**$2 only**	$2 only	**16.67**	16.67
North West Shelf Liaison Company Pty. Ltd.	Liaison for venturers in the sale of LNG to the Japanese market.	Australia	**20**	20	**16.67**	16.67
North West Shelf Australia LNG Pty. Ltd.	Marketing services for venturers in the sale of LNG to international markets.	Australia	**$1 only**	$1 only	**16.67**	16.67
International Gas Transportation Company Ltd.	LNG vessel fleet management.	Bermuda	**25**	25	**16.67**	16.67
North West Shelf Shipping Service Company Pty. Ltd.	LNG vessel fleet advisor.	Australia	**9**	9	**16.67**	16.67

These entities exist as integrated components of the overall North West Shelf Joint Ventures structure and are held proportionately with the other venturers. There have been no changes to the investment in these entities in the period. There are no material impacts of entity assets, liabilities, revenues, expenses or retained earnings upon the Group. All relevant commitments arising through these entities are included in Note 24.

32. Associated Entities

Name of entity	Principal activities	Group ownership interest 2005 %	Group ownership interest 2004 %
Ceramic Fuel Cells Ltd.[1]	Fuel cell research and development	**34.7**	34.7
HR Connect Pty. Ltd.	Recruitment and personnel agency	**33.3**	33.3
North West Utilities Pty. Ltd.[2]	Investment in power generation capacity	-	86.5

All associates are incorporated in Australia.

(1) The published fair value of Woodside's investment in Ceramic Fuel Cells Ltd at 31 December 2005 is $18,346,000 (2004: $37,485,000).

(2) North West Utilities Pty. Ltd. was deregistered on 10 May 2005.

33. Segment Reporting

The Group's primary reporting format is business segments and its secondary reporting format is geographical segments.

(a) Business segments

The Group has the following reportable segments:

North West Shelf Ventures
Exploration, evaluation, development, production and sales of LNG, domestic gas, condensate, LPG and crude oil from the North West Shelf Ventures.

Australia Business Unit
Exploration, evaluation, development, production and sale of crude oil in assigned permit areas and from the Laminaria and Legendre, Mutineer-Exeter, Enfield, Otway and Stybarrow projects.

Africa Business Unit
Evaluation, development and production from the Algerian Ohanet project and Mauritanian Chinguetti project, Tiof and Banda exploration, evaluation and development.

United States of America Business Unit
Exploration, evaluation, development, production and sale of gas, condensate and crude oil in assigned permit areas.

Group and Unallocated
This segment comprises the activities undertaken by all other business units and corporate costs.

(b) Geographical segments

The Group operates in four main geographical segments as follows:

Australia
The main operating activities, producing assets and a significant portion of sales of the Group are within Australia.

Asia
The majority of the Group's sales are made to customers within this region.

Africa
Revenues are received from the Algerian Ohanet project. Other segment information includes the development of the Mauritanian Chinguetti Project, and Tiof and Banda exploration, evaluation and development.

United States of America
Exploration, evaluation, development, production and sale of gas, condensate and crude oil in assigned permit areas.

Other
Exploration, evaluation and development activities in other areas.

33. Segment Reporting (continued)

Segment accounting policies

Segment accounting policies are the same as the consolidated entity's policies described in Note 2.

Primary Reporting – Business Segments

	North West Shelf Ventures		Australia Business Unit		Africa Business Unit		United States Business Unit		Group and Unallocated		Consolidated	
	2005 $000	2004 $000	**2005 $000**	2004 $000	**2005 $000**	2004 $000	**2005 $000**	2004 $000	**2005 $000**	2004 $000	**2005 $000**	2004 $000
Revenue from sale of goods	**2,056,224**	1,560,192	**591,320**	487,581	**71,180**	77,068	**27,991**	-	**-**	-	**2,746,715**	2,124,841
Cost of sales												
Production costs	**(387,492)**	(288,881)	**(108,528)**	(128,836)	**(10,381)**	(6,505)	**(2,305)**	-	**-**	-	**(508,706)**	(424,222)
Shipping and marketing	**(75,531)**	(51,406)	**(5,239)**	(7,473)	**(87)**	(116)	**-**	-	**-**	-	**(80,857)**	(58,995)
Depreciation and amortisation	**(144,439)**	(167,283)	**(74,678)**	(64,852)	**(34,569)**	(32,017)	**(10,753)**	-	**-**	-	**(264,439)**	(264,152)
Restoration provision	**-**	2,385	**-**	-	**-**	-	**-**	-	**-**	-	**-**	2,385
Total cost of sales	**(607,462)**	(505,185)	**(188,445)**	(201,161)	**(45,037)**	(38,638)	**(13,058)**	-	**-**	-	**(854,002)**	(744,984)
Petroleum Resource Rent Tax	**-**	-	**(123,306)**	(56,383)	**-**	-	**-**	-	**-**	-	**(123,306)**	(56,383)
Gross profit	**1,448,762**	1,055,007	**279,569**	230,037	**26,143**	38,430	**14,933**	-	**-**	-	**1,769,407**	1,323,474
Other revenue and income	**38,986**	87,602	**37,138**	500,560	**2,951**	36,706	**53**	-	**153,273**	(42,293)	**232,401**	582,575
Other expenses	**(13,533)**	(21,900)	**(7,487)**	(26,832)	**(6,876)**	(19,368)	**(12,942)**	(7,633)	**(131,660)**	52,814	**(172,498)**	(22,919)
Exploration expensed	**(2,736)**	(11,706)	**(48,588)**	(59,191)	**(49,874)**	(59,295)	**(119,163)**	(71,079)	**(86,037)**	(51,991)	**(306,398)**	(253,262)
Segment results	**1,471,479**	1,109,003	**260,632**	644,574	**(27,656)**	(3,527)	**(117,119)**	(78,712)	**(64,424)**	(41,470)	**1,522,912**	1,629,868
Borrowing costs expensed											**(30,685)**	(41,061)
Income tax expense											**(384,800)**	(442,424)
Net profit/(loss)											**1,107,427**	1,146,383
Segment revenue												
Revenue from sale of goods	**2,056,224**	1,560,192	**591,320**	487,581	**71,180**	77,068	**27,991**	-	**-**	-	**2,746,715**	2,124,841
Other revenue and income	**38,986**	87,602	**37,138**	500,560	**2,951**	36,706	**53**	-	**153,273**	(42,293)	**232,401**	582,575
Total segment revenue	**2,095,210**	1,647,794	**628,458**	988,141	**74,131**	113,774	**28,044**	-	**153,273**	(42,293)	**2,979,116**	2,707,416
Segment assets	**2,607,720**	2,970,238	**1,764,910**	894,840	**1,100,098**	538,417	**752,923**	46,194	**743,726**	996,434	**6,969,377**	5,446,123
Segment liabilities	**475,211**	388,223	**258,713**	104,009	**106,748**	281,871	**283,523**	9,806	**2,344,551**	1,891,145	**3,468,746**	2,675,054
Other segment information												
Associates and other investments	**-**	-	**-**	-	**-**	-	**-**	-	**25,436**	79,026	**25,436**	79,026
Acquisition of oil and gas properties and other non-current assets (excluding exploration)	**183,052**	149,288	**739,781**	359,302	**321,098**	150,230	**466,954**	-	**5,641**	18,013	**1,716,526**	676,833
Non-cash expenses other than depreciation and amortisation	**44,741**	65,267	**29,170**	64,379	**67,511**	12,465	**24,456**	-	**133,812**	151,833	**299,690**	293,944
Impairment losses recognised in the income statement and directly in equity	**-**	4,046	**-**	-	**-**	-	**-**	-	**-**	-	**-**	4,046

Secondary Reporting – Geographical Segments

	Australia		Asia		Africa		United States		Other		Consolidated	
	2005 $000	2004 $000	**2005 $000**	2004 $000	**2005 $000**	2004 $000	**2005 $000**	2004 $000	**2005 $000**	2004 $000	**2005 $000**	2004 $000
Revenue from sale of goods (by location of customer)	**394,455**	414,546	**2,149,917**	1,501,056	**94,669**	96,746	**107,674**	39,862	**-**	72,631	**2,746,715**	2,124,841
Segment assets (by location of assets)	**4,951,967**	4,866,519	**139,476**	40,554	**1,088,721**	465,255	**783,712**	46,194	**5,501**	27,601	**6,969,377**	5,446,123
Other segment information												
Acquisition of oil and gas properties and other non-current assets (excluding exploration)	**924,288**	526,134	**-**	-	**325,144**	150,230	**466,954**	-	**140**	469	**1,716,526**	676,833

34. Interests in Subsidiaries

(a) All subsidiaries are 100% owned

Name of entity	Country of incorporation	Functional currency
Parent entity		
Woodside Petroleum Ltd. (1),(2),(3)	Australia	Australian Dollars
Subsidiaries		
Woodside Energy Ltd. (2),(3)	Australia	Australian Dollars
Woodside Energy Holdings Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Energy Holdings (USA) Inc.	USA	US Dollars
Woodside Insurance Inc.	USA	US Dollars
Woodside Energy (USA) Inc.	USA	US Dollars
Gryphon Exploration Company (4)	USA	US Dollars
Woodside Energy (Sahara) Inc.	USA	US Dollars
Woodside Natural Gas Inc. (4)	USA	US Dollars
Woodside Eastern Energy Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Petroleum (Timor Sea 7) Pty. Ltd. (2)	Australia	US Dollars
Woodside Energy (Senegal) Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Energy (Algeria) Pty. Ltd. (2)	Australia	US Dollars
Woodside SSW Solutions Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Petroleum (NEDSP) Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Technical Services Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Mauritania Pty. Ltd. (2)	Australia	US Dollars
Metasource Pty. Ltd. (2)	Australia	Australian Dollars
Woodside West Kimberley Energy Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Guangdong Shipping (One) Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Guangdong Shipping (Two) Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Mauritania Investments Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Energy Holdings (UK) Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Energy (UK) Ltd.	UK	US Dollars
Woodside Energy Iberia S.A.	Spain	US Dollars
Woodside Energy (N.A.) Ltd.	UK	US Dollars
Woodside Energy (Kenya) Pty. Ltd. (2)	Australia	US Dollars
Woodside Quest Energy Pty. Ltd. (2)	Australia	Australian Dollars
WEL Mauritania B.V.	Netherlands	US Dollars
Woodside West Africa Pty. Ltd. (2)	Australia	US Dollars
Woodside Energy (Carbon Capture) Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Energy (SL) Pty. Ltd. (2)	Australia	US Dollars
Woodside Energy Liaison Company (Korea) Pty. Ltd. (2)	Australia	US Dollars
Woodside Energy Technologies Pty. Ltd. (2)	Australia	Australian Dollars
Woodside China Liaison Pty. Ltd. (2),(4)	Australia	US Dollars
Woodside Japan Liaison Pty. Ltd. (2),(4)	Australia	US Dollars
Woodside Energy (Norway) Pty. Ltd. (2),(4)	Australia	US Dollars
Woodside Energy (M.E.) Pty. Ltd. (2),(4)	Australia	US Dollars
Woodside Energy Australia Asia Holdings Pte. Ltd. (4)	Singapore	US Dollars
WelCap Insurance Pte. Ltd. (4)	Singapore	US Dollars
Woodside Finance Ltd. (2)	Australia	Australian Dollars
Woodside Holdings Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Petroleum Holdings Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Petroleum (Timor Sea 1) Pty. Ltd. (2)	Australia	US Dollars
Woodside Petroleum (Timor Sea 19) Pty. Ltd. (2)	Australia	US Dollars
Woodside Petroleum (Timor Sea 20) Pty. Ltd. (2)	Australia	US Dollars
Woodside Petroleum (PNG) Pty. Ltd. (2)	Australia	Australian Dollars
Woodside South East Asia Pty. Ltd. (2)	Australia	Australian Dollars
Mermaid Sound Port and Marine Services Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Group Staff Superannuation Pty. Ltd. (2)	Australia	Australian Dollars
Woodside LNG Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Petroleum (Northern Operations) Pty. Ltd. (2)	Australia	Australian Dollars
Woodside Petroleum (W.A. Oil) Pty. Ltd. (2)	Australia	Australian Dollars

34. Interests in Subsidiaries (continued)

(1) Woodside Petroleum Ltd. is the ultimate holding company and the head entity within the tax-consolidated group.

(2) These companies are members of the tax-consolidated group.

(3) Pursuant to ASIC Class Order 98/1418, relief has been granted to the controlled entity, Woodside Energy Ltd., from the *Corporations Act 2001* requirements for preparation, audit and publication of accounts. As a condition of the Class Order, Woodside Petroleum Ltd. and Woodside Energy Ltd. are parties to a deed of cross guarantee.

(4) These companies joined the Group in 2005. Glyde Point Pty. Ltd. was voluntarily deregistered in 2005.

(b) The consolidated income statement and balance sheet of the members of the "Closed Group" made up by the entities that are party to the deed of cross guarantee as described in (a) above are as follows:

	2005 $000	2004 $000
Closed Group Income Statement		
Revenues from sale of goods	**2,647,543**	2,047,773
Cost of sales	**(802,681)**	(716,523)
Petroleum Resource Rent Tax	**(123,306)**	(56,383)
Gross profit	**1,721,556**	1,274,867
Other revenue	**262,416**	276,196
Other income	**69,242**	607,576
Other expenses	**(313,377)**	(271,544)
Profit before income tax and finance costs	**1,739,837**	1,887,095
Finance costs	**(275,413)**	(263,831)
Profit before income tax	**1,464,424**	1,623,264
Income tax expense	**(446,822)**	(428,692)
Net profit	**1,017,602**	1,194,572
Retained earnings at the beginning of the financial year	**2,395,372**	1,547,467
Adoption of new accounting standards relating to financial instruments	**74,217**	-
Dividends	**(446,667)**	(346,667)
Retained earnings at the end of the financial year	**3,040,524**	2,395,372

34. Interests in Subsidiaries (continued)

	2005 $000	2004 $000
Closed Group Balance Sheet		
CURRENT ASSETS		
Cash and cash equivalents	88,939	51,174
Receivables	1,492,701	1,912,631
Inventories	39,749	21,587
Financial and other assets	76,200	75,295
TOTAL CURRENT ASSETS	1,697,589	2,060,687
NON-CURRENT ASSETS		
Receivables	593,830	23,606
Inventories	5,714	11,489
Financial and other assets	1,835,813	1,067,713
Exploration and evaluation	261,642	80,825
Oil and gas properties	3,891,865	3,191,106
Other plant and equipment	100,925	110,958
Deferred tax assets	142	222
TOTAL NON-CURRENT ASSETS	6,689,931	4,485,919
TOTAL ASSETS	8,387,520	6,546,606
CURRENT LIABILITIES		
Payables	1,938,838	1,223,497
Interest-bearing liabilities	3,398	3,398
Tax payable	137,570	50,795
Financial and other liabilities	8,555	45,271
Provisions	62,504	51,691
TOTAL CURRENT LIABILITIES	2,150,865	1,374,652
NON-CURRENT LIABILITIES		
Payables	298,763	46,710
Interest-bearing liabilities	1,123,549	1,040,816
Deferred tax liabilities	516,151	496,313
Financial and other liabilities	339,486	353,247
Provisions	341,370	269,894
TOTAL NON-CURRENT LIABILITIES	2,619,319	2,206,980
TOTAL LIABILITIES	4,770,184	3,581,632
NET ASSETS	3,617,336	2,964,974
EQUITY		
Issued and fully paid shares	706,492	706,492
Shares held for employee share plan	(129,373)	(136,890)
Other reserves	(307)	-
Retained earnings	3,040,524	2,395,372
TOTAL EQUITY	3,617,336	2,964,974

35. Impact of Adoption of Australian Equivalents to International Financial Reporting Standards and Voluntary Changes to Accounting Policies

Introduction

From 1 January 2005, Woodside prepares its financial statements in accordance with Australian equivalents to IFRS ('AIFRS'). Due to the requirement to publish comparative information for the previous corresponding period, the effective date for transition to AIFRS is 1 January 2004.

To explain how Woodside's reported income statement and balance sheet are affected by this change together with the effect of voluntary changes in accounting policies, information previously published under Australian GAAP ('AGAAP') is restated under AIFRS in the tables below:

- Table A – Summary reconciliation of total equity as presented under AGAAP to that under AIFRS;
- Table B – Summary reconciliation of profit after tax presented under AGAAP to that under AIFRS;
- Table C – Reconciliation of total equity as presented under AGAAP to that under AIFRS as at 1 January 2004 (transitional balance sheet);
- Table D – Reconciliation of total equity as presented under AGAAP to that under AIFRS as at 1 January 2005; and
- Table E – Reconciliation of profit after tax presented under AGAAP to that under AIFRS for the year ended 31 December 2004.

Transitional arrangements

The rules for first time adoption of AIFRS are set out in AASB 1. In general, a company is required to determine its AIFRS accounting policies and apply these retrospectively to determine its opening balance sheet at 1 January 2004 (transitional balance sheet) under AIFRS. The standard allows a number of exceptions to this general principle to assist companies as they transition to reporting under AIFRS. Where the Group has utilised these exemptions they are noted below.

Summary of impact of AIFRS

At 1 January 2005 the impact on total equity is an overall reduction of $297,729,000. There is no impact on the underlying cash flows of the Group and no impact on the Group's loan covenants.

Where AIFRS adjustments have a significant or material impact on equity a description is included in Notes 35(a)-(n).

35. Impact of Adoption of Australian Equivalents to International Financial Reporting Standards and Voluntary Changes to Accounting Policies (continued)

Table A - Summary reconciliation of total equity as presented under AGAAP to that under AIFRS

	Explanatory transition notes	Consolidated 1 January 2005 $000	31 December 2004 $000	1 January 2004 $000
Total equity under AGAAP		**3,170,495**	3,170,495	2,433,531
Change in accounting policy[1]		**40,322**	40,322	32,279
AIFRS adjustments to equity				
Petroleum Resource Rent Tax	(a)	**(195,737)**	(195,737)	(246,649)
Employee share plan	(b)	**(136,890)**	(136,890)	(138,987)
Leases	(c)	**4,084**	4,084	5,824
Functional and presentation currency	(d)	**(110,311)**	(110,311)	(109,631)
Borrowing costs	(e)	**(28,028)**	(28,028)	(67,158)
Provision for restoration	(f)	**15,745**	15,745	11,724
Investments	(g)	**51,408**	-	-
Defined benefit superannuation fund	(i)	**23,419**	23,419	7,849
Embedded derivatives	(j)	**2,677**	-	-
Financial instruments	(k)	**29,541**	-	-
Hedge of net investments	(l)	**60,790**	-	-
Other adjustments		**(12,882)**	(12,882)	2,899
Income tax	(h)	**(41,867)**	852	44,695
Total equity under AIFRS		**2,872,766**	2,771,069	1,976,376

(1) The change in accounting policy relates to the Group's change to the 'entitlements' method of revenue recognition. Refer to Notes 2(ad) and 35(m) for details.

Table B - Summary reconciliation of profit after tax presented under AGAAP to that under AIFRS

	Explanatory transition notes	Consolidated year ended 31 December 2004 $000
Total profit after tax under AGAAP		**1,083,631**
Change in accounting policy[1]		8,042
AIFRS adjustments to profit after tax		
Petroleum Resource Rent Tax	(a)	(8,883)
Leases	(c)	(1,740)
Functional and presentational currency	(d)	6,498
Borrowing costs	(e)	39,130
Provision for restoration	(f)	4,020
Defined benefit superannuation fund	(i)	15,570
Profit on disposal of oil and gas properties	(a)	59,795
Other adjustments		(15,836)
Income tax	(h)	(43,844)
Total profit after tax under AIFRS		**1,146,383**

(1) The change in accounting policy relates to the Group's change to the 'entitlements' method of revenue recognition. Refer to Notes 2(ad) and 35(m) for details.

35. Impact of Adoption of Australian Equivalents to International Financial Reporting Standards and Voluntary Changes to Accounting Policies (continued)

Table C - Reconciliation of total equity as presented under AGAAP to that under AIFRS as at 1 January 2004 (transitional balance sheet)

	Explanatory transition notes	AGAAP 31 December 2003 $000	Change in accounting policy $000	Effect of transition to AIFRS $000	AIFRS 1 January 2004 $000
CURRENT ASSETS					
Cash and cash equivalents	(d)	177,601	(55,121)[2]	211	122,691
Receivables	(a),(d)	260,878	92,943[1],[2]	(15,011)	338,810
Inventories		14,007	(5,543)[1]	1,520	9,984
Financial and other assets	(a),(d)	84,465	-	11,860	96,325
TOTAL CURRENT ASSETS		536,951	32,279	(1,420)	567,810
NON-CURRENT ASSETS					
Receivables	(b)	307,252	-	(128,537)	178,715
Inventories		18,264	-	(466)	17,798
Financial and other assets	(b),(d),(i)	142,601	-	(29,854)	112,747
Exploration and evaluation	(d)	653,518	-	(24,932)	628,586
Oil and gas properties	(c),(d),(e),(f)	2,985,154	-	(2,941)	2,982,213
Other plant and equipment	(e)	137,910	-	3,284	141,194
Deferred tax assets		649	-	-	649
TOTAL NON-CURRENT ASSETS		4,245,348	-	(183,446)	4,061,902
TOTAL ASSETS		4,782,299	32,279	(184,866)	4,629,712
CURRENT LIABILITIES					
Payables	(c)	335,783	-	2,737	338,520
Interest-bearing liabilities		-	-	-	-
Tax payable	(d)	100,992	-	(24)	100,968
Financial and other liabilities		86,747	-	(140)	86,607
Provisions		55,064	-	-	55,064
TOTAL CURRENT LIABILITIES		578,586	-	2,573	581,159
NON-CURRENT LIABILITIES					
Payables	(c)	-	-	16,465	16,465
Interest-bearing liabilities		1,068,376	-	(7,139)	1,061,237
Deferred tax liabilities	(a),(c),(e),(f),(h),(i)	455,090	-	(44,695)	410,395
Financial and other liabilities	(a)	90,164	-	242,859	333,023
Provisions	(f)	156,552	-	94,505	251,057
TOTAL NON-CURRENT LIABILITIES		1,770,182	-	301,995	2,072,177
TOTAL LIABILITIES		2,348,768	-	304,568	2,653,336
NET ASSETS		2,433,531	32,279	(489,434)	1,976,376
EQUITY					
Issued and fully paid shares		706,492	-	-	706,492
Shares held for employee share plan	(b)	-	-	(138,987)	(138,987)
Other reserves		-	-	-	-
Retained earnings		1,727,039	32,279	(350,447)	1,408,871
TOTAL EQUITY		2,433,531	32,279[1]	(489,434)	1,976,376

(1) The change in accounting policy relates to the Group's change to the 'entitlements' method of revenue recognition. Refer to Notes 2(ad) and 35(m) for details.
(2) Relates to reclassification of balances between cash and other receivables.

35. Impact of Adoption of Australian Equivalents to International Financial Reporting Standards and Voluntary Changes to Accounting Policies (continued)

Table D - Reconciliation of total equity as presented under AGAAP to that under AIFRS as at 1 January 2005

	Explanatory transition notes	AGAAP 31 December 2004 $000	Change in accounting policy $000	Effect of transition to AIFRS $000	AIFRS 31 December 2004 $000	Effect of transition to AIFRS 1 January 2005 step change [3] $000	AIFRS 1 January 2005 $000
CURRENT ASSETS							
Cash and cash equivalents	(d)	732,163	66,779[2]	(1,802)	797,140	-	797,140
Receivables	(a),(d)	420,074	(19,849)[1],[2]	(24,402)	375,823	-	375,823
Inventories		31,071	(3,217)[1]	904	28,758	-	28,758
Financial and other assets	(a),(k)	59,750	-	18,845	78,595	(2,190)	76,405
TOTAL CURRENT ASSETS		1,243,058	43,713	(6,455)	1,280,316	(2,190)	1,278,126
NON-CURRENT ASSETS							
Receivables	(b)	127,814	-	(127,814)	-	-	-
Inventories		11,489	-	-	11,489	-	11,489
Financial and other assets	(b),(g),(i),(j)	145,611	-	(26,905)	118,706	54,144	172,850
Exploration and evaluation	(d)	389,266	-	(10,444)	378,822	-	378,822
Oil and gas properties	(c),(d),(e),(f)	3,517,400	-	3,006	3,520,406	-	3,520,406
Other plant and equipment	(e)	109,180	-	1,778	110,958	-	110,958
Deferred tax assets	(h)	25,717	-	(291)	25,426	-	25,426
TOTAL NON-CURRENT ASSETS		4,326,477	-	(160,670)	4,165,807	54,144	4,219,951
TOTAL ASSETS		5,569,535	43,713	(167,125)	5,446,123	51,954	5,498,077
CURRENT LIABILITIES							
Payables	(c)	328,772	3,391[1]	7,313	339,476	-	339,476
Interest-bearing liabilities		-	-	-	-	-	-
Tax payable		51,024	-	(12)	51,012	-	51,012
Financial and other liabilities	(d),(k),(l)	46,294	-	(812)	45,482	(36,945)	8,537
Provisions		52,679	-	(117)	52,562	-	52,562
TOTAL CURRENT LIABILITIES		478,769	3,391	6,372	488,532	(36,945)	451,587
NON-CURRENT LIABILITIES							
Payables	(c)	-	-	13,067	13,067	-	13,067
Interest-bearing liabilities	(k)	1,027,749	-	(14,270)	1,013,479	21,937	1,035,416
Deferred tax liabilities	(a),(c),(e),(f),(h),(i)	527,047	-	(1,143)	525,904	42,781	568,685
Financial and other liabilities	(a),(k),(i)	176,356	-	187,479	363,835	(77,516)	286,319
Provisions	(f)	189,119	-	81,118	270,237	-	270,237
TOTAL NON-CURRENT LIABILITIES		1,920,271	-	266,251	2,186,522	(12,798)	2,173,724
TOTAL LIABILITIES		2,399,040	3,391	272,623	2,675,054	(49,743)	2,625,311
NET ASSETS		3,170,495	40,322	(439,748)	2,771,069	101,697	2,872,766
EQUITY							
Issued and fully paid shares		706,492	-	-	706,492	-	706,492
Shares held for employee share plan	(b)	-	-	(136,890)	(136,890)	-	(136,890)
Other reserves	(d),(k)	-	-	(7,120)	(7,120)	34,969	27,849
Retained earnings		2,464,003	40,322[1]	(295,738)	2,208,587	66,728	2,275,315
TOTAL EQUITY		3,170,495	40,322	(439,748)	2,771,069	101,697	2,872,766

(1) The change in accounting policy relates to the Group's change to the 'entitlements' method of revenue recognition. Refer to Notes 2(ad) and 35(m) for details.
(2) Relates to reclassification of balances between cash and other receivables.
(3) Relates to first time adoption of AASB 139 and AASB 132 from 1 January 2005.

35. Impact of Adoption of Australian Equivalents to International Financial Reporting Standards and Voluntary Changes to Accounting Policies (continued)

Table E - Reconciliation of profit after tax presented under AGAAP to that under AIFRS for the year ended 31 December 2004

	Explanatory transition notes	AGAAP for the year ended 31 December 2004 $000	Change in accounting policy (1) $000	Effect of transition to AIFRS $000	AIFRS for the year ended 31 December 2004 $000
Revenue from sale of goods	(c),(m)	2,158,641	5,717	(39,517)	2,124,841
Cost of sales	(c),(d),(e),(f)	(811,706)	2,325	64,397	(744,984)
Petroleum Resource Rent Tax	(a)	(47,500)	-	(8,883)	(56,383)
Gross profit		1,299,435	8,042	15,997	1,323,474
Other revenue		41,298	-	-	41,298
Other income	(i), (n)	798,688	-	(257,411)	541,277
Other expenses	(d),(n)	(595,295)	-	319,114	(276,181)
Profit before tax and finance costs		1,544,126	8,042	77,700	1,629,868
Finance costs	(c),(e),(f)	(61,915)	-	20,854	(41,061)
Profit before income tax		1,482,211	8,042	98,554	1,588,807
Income tax expense	(a),(c),(e),(f),(h),(i)	(398,580)	-	(43,844)	(442,424)
Net profit		1,083,631	8,042	54,710	1,146,383

(1) The change in accounting policy relates to the Group's change to the 'entitlements' method of revenue recognition. Refer to Notes 2(ad) and 35(m) for details.

(a) Petroleum Resource Rent Tax

AASB 112 extends the scope of tax-effect accounting to encompass all taxes on income, including Petroleum Resource Rent Tax (PRRT). Under AGAAP the Group accounted for PRRT on an accruals basis. Under AIFRS a deferred PRRT liability or asset is recognised for the differences that have accumulated between the PRRT tax base and the accounting base. These differences arise from the earlier deductibility of expenditure for PRRT when compared with expense outcomes under the Group's accounting policies for exploration and evaluation and oil and gas property assets. These taxable temporary differences will reverse as each project generates PRRT assessable income or on disposal. The impact at the end of each transitional period results in an increase in deferred tax liabilities and a reduction in retained earnings.

(b) Employee Share Plan

From 1 January 2005, AASB 2 requires Woodside's employee share plan to be treated as share-based compensation. Under this approach the principal amount of the interest-free, limited-recourse loans to acquire shares are reclassified from receivables to a separate class of shareholders' equity ('shares held for employee share plan'). Dividends paid on shares issued under the share plan, to the extent they are retained to repay the loans, are offset against that separate class of shareholders' equity.

Woodside has elected to adopt AASB 1 transitional arrangements which allow companies not to fully retrospectively apply AASB 2. Under the terms of the transitional arrangements, the cost of the shares issued under the share plan, after 7 November 2002, and which had not vested by 1 January 2005, have not been recognised in the income statement.

35. Impact of Adoption of Australian Equivalents to International Financial Reporting Standards and Voluntary Changes to Accounting Policies (continued)

(c) Leases

Under AIFRS, service contracts which include the provision of equipment must be analysed to determine whether they contain leases. Any leases identified are to be accounted for in accordance with AASB 117 *Leases*. A review of the Group's contracts has identified one case which has been assessed as containing a finance lease required to be reported on the balance sheet, resulting in the fair value of leased assets being capitalised into oil and gas properties. The impact on retained earnings in the transitional period reflects the replacement of lease payments expense with interest and depreciation charges.

Under certain LNG transportation agreements, the Group leases transportation assets under a back-to-back operating lease agreement. Under AIFRS, the group is now required to net these revenues and expenditures. The impact on retained earnings is nil.

(d) Functional and Presentation Currency

As required by AASB 121 *The Effects of Changes in Foreign Exchange Rates*, the Group has determined that the functional currency of its major Australian operating subsidiaries is Australian dollars and the majority of the Group's foreign subsidiaries is US dollars, reflecting the economic environment in which they operate. The presentation currency of the Group continues to be Australian dollars. Assets and liabilities of subsidiaries with a foreign currency as their functional currency are translated into Australian dollars at each period's closing rate and any exchange movements are recorded through a Foreign Currency Translation Reserve (FCTR). The impact at the end of each transitional period includes the reduction of oil and gas properties and exploration and evaluation expenditure in relation to foreign operations where assets are now translated at closing rates compared to historical rates under AGAAP.

The Group has elected to apply the available exemption in AASB 1 under which the cumulative translation for all foreign operations represented in the FCTR are transferred to retained earnings at 1 January 2004.

(e) Borrowing Costs

The Group has elected to capitalise borrowing costs on qualifying assets i.e. assets which take a significant period of time (greater than 12 months) to construct and commission. The Group has chosen to specifically exclude from qualifying assets those assets with a value of less than $50,000,000 and all amounts relating to exploration and evaluation.

Borrowing costs exclude foreign exchange differences as they are now expensed. Consequently, the carrying value of oil and gas properties has been reduced by net foreign exchange differences on borrowing costs that had previously been capitalised on qualifying assets.

(f) Provisions for Restoration

Under AIFRS, at the commencement of a facility's operation, the present value of restoration obligations is recognised as a non-current liability and the cost of future restoration is capitalised as part of the relevant project. The capitalised cost is amortised over the life of the project and the provision is accreted periodically as the discounting of the liability unwinds. The unwinding of the discount is recorded as a finance cost. The impact at the end of each transitional period is to reduce restoration provisions reflecting the difference between the previously recorded future value under AGAAP and the present value recorded under AIFRS.

(g) Investments

Under previous AGAAP, investments in equity securities were held at cost. Applicable from 1 January 2005, AASB 139 requires investments in equity securities that have readily determinable fair values to be classified as either held for trading or available-for-sale and carried at fair value. Unrealised gains or losses on investments held for trading are reported in the income statement while unrealised gains or losses on investments classified as available-for-sale are reported in equity. Woodside's investments are not held for trading and accordingly have been classified as investments available-for-sale. Movements in fair value are dependent upon movements in the share price of investments. The impact as at 1 January 2005 was to increase other financial assets and retained earnings for the difference between the fair value of investments and historical cost.

(h) Income Tax

Under previous AGAAP, income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Under AIFRS, any difference between the carrying value of an asset or liability and its tax base is recognised as a temporary difference. Prior to transition to AIFRS, permanent differences were not included in calculating deferred tax balances.

35. Impact of Adoption of Australian Equivalents to International Financial Reporting Standards and Voluntary Changes to Accounting Policies (continued)

(i) Defined Benefit Superannuation Fund

Woodside is the sponsor of a superannuation plan split between a defined benefit section and a defined contribution section. Under previous AGAAP, cumulative actuarial gains and losses on the defined benefit section were not recognised on the balance sheet. At the date of transition, an asset is recognised in the provision for employee benefits and is measured as the difference between the present value of the employees' accrued benefits at that date and the net market value of the superannuation fund's assets at that date. The impact at the end of each transitional period is to increase other assets for the surplus superannuation fund assets and to record the related gain in the income statement.

(j) Embedded Derivatives

The Group has taken the exemption available under AASB 1 to apply AASB 139 from 1 January 2005. AIFRS introduces the concept of embedded derivatives. AASB 139 requires the identification, recognition and measurement of derivatives embedded within contracts that a company may enter. Embedded derivatives which are not clearly and closely related to the host contract are required to be fair valued and movements reported in the income statement.

In reviewing existing contracts to determine the extent of any embedded derivatives, two gas sales contracts were identified as containing embedded derivatives. The fair valuation of these contracts will reflect the long-remaining term nature of these contracts and the estimated future changes in benchmark commodity prices and the AUD/USD exchange rate.

During 2005, Draft Interpretation D15 was released for comment by the International Financial Reporting Interpretations Committee ('IFRIC') which clarified that contract inception, rather than transition to IFRS, was the relevant date to make the determination of whether embedded derivatives require separate recognition.

Indexation embedded within certain sales contracts was not consistent with market conditions upon transition to IFRS, however, at contract inception was commonly used in the market. Applying D15, these indices are not embedded derivatives that require separate recognition, accordingly embedded derivative assets of $157,000,000 with a corresponding entry in opening retained earnings recognised in the half yearly report have been derecognised at 31 December 2005.

(k) Financial Instruments

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 January 2005. The standards require all financial instruments to be initially recognised at fair value. Subsequently, certain financial instruments including derivatives must be remeasured at fair value with movements in the fair value of derivatives taken to the income statement. Where cash flow hedge accounting requirements are met, the effective portion of the hedge is taken to equity. Gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the income statement, for example when the future sale actually occurs. Where hedges are ineffective for accounting purposes, reported results may be more volatile. The impact as at 1 January 2005 reflects the released profit of the mark-to-market position of hedges identified as being ineffective.

(l) Hedge of Net Investments

Under AIFRS the US dollar borrowings have been assessed as not meeting the requirements for hedge accounting, due to the changed designation and effectiveness requirements. Under previous AGAAP, the US dollar borrowings were designated as a hedge of US dollar sales revenues. Therefore, as at 1 January 2005 the amount deferred as an exchange gain or loss on the US dollar debt has been taken to retained earnings. Subsequent to 1 January 2005, the US dollar borrowings have been designated as hedges of net investments in Woodside subsidiaries with a US dollar functional currency. Exchange differences that arise on the borrowings designated as a hedge are recorded in equity. The exchange differences arising from US dollar borrowings not designated as a hedge have been recorded in the income statement. Financial impacts are dependent upon movements in the Australian dollar to US dollar exchange rate, and the level of US dollar exposure.

(m) Revenue

From 1 January 2005, the Group changed its accounting policy in relation to the recognition of revenues from oil and gas operations. The Group now recognises revenues from sale of goods under the 'entitlements' method. Previously, the Group recorded actual sales without adjusting for its working interest. The impact of the change in accounting policy has been retrospectively adjusted for previous reporting periods. This note quantifies the impact of the adjustment. There is no significant impact on the Group's basic earnings per share.

(n) Sale of Assets

Under AIFRS the net gain or loss on sale of each class of asset is disclosed in the income statement as either other income or other expenses. Under previous AGAAP, proceeds on sale were classified as other income and the written down value of assets disposed were disclosed as other expenses.

Directors' Declaration

In accordance with a resolution of directors of Woodside Petroleum Ltd., we state that -

1. In the opinion of the directors:

   (a) the financial statements and notes of the Company and the Consolidated Entity for and as at the year ended 31 December 2005 are in accordance with the *Corporations Act 2001* ('Corporations Act') including:

      (i) section 296 (compliance with accounting standards) of the Corporations Act; and

      (ii) section 297 (true and fair view) of the Corporations Act.

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

   (c) as at the date of this declaration, there are reasonable grounds to believe that the Closed Group identified in Note 34 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the deed of cross guarantee.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act for the year ended 31 December 2005.

For and on behalf of the Board

Charles Goode AC.
Chairman

Don Voelte
Chief Executive Officer

Perth, 15 February 2006

Independent Audit Report

Independent audit report to members of Woodside Petroleum Ltd.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Woodside Petroleum Ltd (the company) and the consolidated entity, for the year ended 31 December 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion the financial report of Woodside Petroleum Ltd is in accordance with:

(a) the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of Woodside Petroleum Ltd. and the consolidated entity at 31 December 2005 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

J P Dowling
Partner

Perth
Date: 15 February 2006

Shareholder Information

As at 3 February 2006

Number of Shareholders

There were 83,829 shareholders. All issues carry voting rights on a one for one basis.

Distribution of Shareholding

Size of shareholding	Number of holders	Number of shares	% of issued capital
1 - 1,000	54,490	27,713,383	4.16
1,001 - 5,000	25,042	55,746,999	8.36
5,001 - 10,000	2,707	19,539,917	2.93
10,001 - 100,000	1,463	33,384,792	5.01
100,001 and over	127	530,281,576	79.54
Total	83,829	666,666,667	100.00

Unmarketable Parcels

There were 233 members holding less than a marketable parcel of shares in the Company.

Listing

The Company's shares are quoted on the Australian Stock Exchange.

Twenty Largest Shareholders

Shareholder	Number of shares	% of issued capital
Shell Energy Holdings Australia Limited	228,456,275	34.27
J P Morgan Nominees Australia Limited	58,518,960	8.78
Westpac Custodian Nominees Limited	53,662,336	8.05
National Nominees Limited	52,930,141	7.94
ANZ Nominees Limited Cash Income Account	37,441,681	5.62
Citicorp Nominees Pty Limited	17,069,396	2.56
Queensland Investment Corporation	7,543,215	1.13
Cogent Nominees Pty Limited	7,064,872	1.06
HSBC Custody Nominees (Australia) Limited	5,805,114	0.87
ANZ Nominees Limited Aus Cash Income Account	5,544,220	0.83
AMP Life Limited	5,478,193	0.82
Citicorp Nominees Pty Limited CFS WSLE Imputation Fund Account	3,383,341	0.51
UBS Wealth Management Australia Nominees Pty Ltd	2,686,911	0.40
Cogent Nominees Pty Limited SMP Accounts	2,560,327	0.38
Citicorp Nominees Pty Limited CFS Imputation Fund Account	2,235,321	0.34
Australian Foundation Investment Company Limited	2,150,000	0.32
RBC Dexia Investor Services Australia Nominees Pty Limited BKCUST Account	1,795,110	0.27
Citicorp Nominees Pty Limited CFS WSLE AUST Share Fund Account	1,618,319	0.24
PSS Board	1,473,369	0.22
Suncorp Custodian Services Pty Limited	1,391,975	0.21
Total	**498,809,076**	**74.82**

Substantial shareholders as disclosed in substantial shareholder notices given to the Company are as follows:

Shell Energy Holdings Australia Limited	228,456,275	34.27