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Our reference: DRIMS 3630017

12 October, 2007

<u>Submission to AASB</u>

David Boymal
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West VIC 8007

Dear David,

AASB *Proposed Interpretation 10XX - Australian Petroleum Resource Rent Tax*

We recognise the Board's consensus conclusion that PRRT is an income tax, and accordingly, is to be accounted for in accordance with AASB112. The conclusion being based on;

a) PRRT is a tax based on taxable profit; and
b) PRRT is based upon rules established by the Australian Taxation Office

PRRT is a significant component of Woodside's expense base representing between 4-5% of revenues and 11%-14% of net profit for the years ended 2005 and 2006 respectively. Further, reporting PRRT as part of the income tax expense would result in increasing Woodside's effective tax rate from 29% to 35% in 2006. The significance of PRRT to Woodside is a function of our asset portfolio's exposure to the PRRT regime and the stage in the underlying projects' exploration and production ('E&P') lifecycle.

We agree with the Board's conclusion to the extent of the recognition and measurement of PRRT within the scope of AASB112.

We disagree with the Boards conclusion with respect to the requirement to disclose of PRRT as an income tax expense on the income statement. Our view is that it should be disclosed separately and form part of the cost of sales. This is based on the following considerations;

Calculation of PRRT and Corporate Tax is fundamentally and is significantly different	- *Unlike corporate tax, PRRT is not a tax based on accounting profits as the deduction of exploration & development capital expenditure has different parameters as well as the impact of augmentation.* - *PRRT is deductible for corporate tax purposes.* - *The scope of PRRT is limited to E&P activities that fall within the PRRT regime. That is, its current application is limited to Australia and excludes onshore projects and North West Shelf projects. Therefore, PRRT does not represent a broad based corporate tax.*
Nature of PRRT expense has more in common with other Resources Taxes	- *The primary purpose of PRRT is to levy a charge on the extraction of resources. We consider it important to make this distinction between the purpose of an expense and the basis of its measurement.* - *PRRT is a cost associated with extracting petroleum. From a functional perspective, PRRT has more in common with excise and royalty costs than income tax expense. Therefore, it should be functionally classified along with other direct expenses and reported as cost of sales.*

Potential to mislead users' analysis of financial reports	- *Including PRRT within income tax expense reduces comparability across E&P projects. At a higher level, this has the potential to misrepresent business unit performance in segment reporting.* - *Including PRRT within income tax expense distorts the effective tax rates when benchmarking to companies in other industries as well as within the oil and gas industry.*

We request that you consider the view presented by Woodside Energy Limited in finalising your proposed interpretation on PRRT.

Yours faithfully,

Lawrie Tremaine
Group Financial Controller
Woodside Energy Ltd