27 July 2006

The Manager
Companies Section
Australian Stock Exchange Limited

The Manager
Companies Section
New Zealand Stock Exchange Limited

Pages: Four (4) pages

Dear Sir

Stock Exchange Announcement

Federal Court hearing on capital gains tax dispute commences

Lend Lease remains confident of its position

Australian Tax Office has dropped avoidance allegations and penalties

A long running dispute between Lend Lease Corporation Limited ("Lend Lease") and the Australian Tax Office ("ATO"), over an amended tax assessment issued in 2002, is to be heard by the Federal Court today.

The disputed assessment dates back a decade to the year ended 30 June 1996. It concerns proceeds from the forward sale of 100 million Westpac shares, then owned by a subsidiary of Lend Lease, to County Natwest Securities Australia Limited ("the transaction").

When the ATO issued its amended assessment in November 2002, it alleged that the transaction resulted in either a greater capital gains tax liability than originally returned or that general anti-avoidance provisions applied.

Lend Lease obtained legal, tax and accounting advice at the time of the transaction and conducted a full review during discussions with the ATO before the amended assessment was issued in 2002. The Company said at the time that it regarded its treatment of the transaction as proper and was firmly of the view the ATO's position was not sustainable.

Despite objecting to the validity of the amended assessment, Lend Lease was required to pay additional company tax of A$40.7 million plus penalties of A$20.3 million and interest of A$34.3 million.

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This amount was not expensed and has been carried as a receivable in the Company's accounts ever since.

The ATO has since withdrawn its claim regarding the general avoidance provisions and dropped all penalties. The total claim by the ATO, which is now the subject of the Court hearing, has reduced from A$95.3 million to A$70.6 million.

Further details concerning the Court proceedings commencing today are provided in the attached media statement.

Yours faithfully
LEND LEASE CORPORATION LIMITED

S J SHARPE
Company Secretary

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Lend Lease Corporation

Media Release

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The disputed assessment dates back a decade to the year ended 30 June 1996. It concerns proceeds from the forward sale of 100 million Westpac shares, then owned by a subsidiary of Lend Lease, to County Natwest Securities Australia Limited ("the transaction").

When the ATO issued its amended assessment in November 2002, it alleged that the transaction resulted in either a greater capital gains tax liability than originally returned or that general anti-avoidance provisions applied. Under the amended assessment, the ATO required payment of additional company tax of A$40.7 million plus penalties of A$20.3 million and interest of A$34.3 million.

Lend Lease obtained legal, tax and accounting advice at the time of the transaction and conducted a full review during discussions with the ATO before the amended assessment was issued in 2002. The Company said at the time that it regarded its treatment of the transaction as proper and was firmly of the view the ATO's position was not sustainable.

The ATO has since withdrawn its claim regarding the general avoidance provisions and dropped all penalties. The total claim by the ATO, which is now the subject of the Court hearing, has reduced from A$95.3 million to A$70.6 million.

Having withdrawn its claims on penalties and tax avoidance, the ATO is asking the Court to find that the transaction delivered a capital gain to Lend Lease in excess of the amount Lend Lease was paid for its holding in Westpac.

Lend Lease acquired its Westpac holding in 1993 at an average price of A$3.53 per share.

By 1996, Lend Lease had decided to move away from the business strategy which led to the Westpac share acquisition.

Given the very large (approximately 10%) holding in Westpac, Lend Lease determined that the forward sale of its stake was the most appropriate disposal mechanism. In June 1996 Lend Lease forward sold 100 million Westpac shares to County Natwest Securities Australia Limited through an institutional book-build at approximately A$3.53 per share. Lend Lease continued to own those Westpac shares and received dividends until 2000.

The forward sale process put a floor under the price Lend Lease could achieve for such a large holding, while simultaneously maintaining access to a stable earnings stream in the form of Westpac dividends, giving it sufficient time to redeploy its capital.

The transaction was widely reported as a sound approach given Lend Lease's changing corporate strategy and the circumstances of the banking sector at the time. It was a transparent and very public undertaking, which clearly established the achievable value for the forward sale of Westpac shares at the time.

Lend Lease was required to pay the full amount of the amended assessment to the ATO in 2003, despite its objection to the assessment. Lend Lease Directors remain firmly of the view that the Company's treatment of the Westpac transaction is appropriate. As a result, the Company has not expensed the amount in dispute and has carried the disputed tax payment as a receivable item in its accounts since 2003.

ENDS

Further information:

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