CROMWELL
PROPERTY GROUP

TAX RETURN GUIDE

A Guide to your Cromwell Property Group (ASX:CMW) 30 June 2017 Annual Tax Statement

The information in this Guide has been prepared to assist Australian resident individual holders of Cromwell Property Group stapled securities understand their Annual Taxation Statement and to prepare their 2017 income tax return. This Guide does not apply to company, trust, or superannuation fund security holders. It should be read in conjunction with your 2017 Annual Tax Statement.

This Guide has been prepared for general information only and should not be relied upon as tax advice. This Guide should be read in conjunction with the Australian Taxation Office's ("ATO") instructions and publications, some of which are listed at the end of this Guide. An investment in stapled securities can give rise to complex tax issues and each investor's particular circumstances will be different. As such, we recommend before taking any action based on this document, that you consult your professional tax adviser for specific advice in relation to the tax implications.

This document does not constitute financial product or investment advice, and in particular, it is not intended to influence you in making decisions in relation to financial products including Cromwell Property Group stapled securities.

While every effort is made to provide accurate and complete information, Cromwell Property Group does not warrant or represent that the information in this Guide is free of errors or omissions or is suitable for your intended use and personal circumstances. Subject to any terms implied by law which cannot be excluded, Cromwell Property Group accepts no responsibility for any loss, damage, cost or expense (whether direct or indirect) incurred by you as a result of any error, omission or misrepresentation in the information contained in this Guide.

This Guide has been prepared on the basis of the prevailing taxation laws at 30 June 2017.

Cromwell Property Group comprises:
Cromwell Corporation Limited (ABN 44 001 056 980) and
Cromwell Diversified Property Trust (ARSN 102 982 598)
the responsible entity of which is
Cromwell Property Securities Limited (ABN 11 079 147 809, AFSL 238052)

Who Is This Guide For?

This Guide applies to you if:

- You are an individual Australian resident investor in Cromwell Property Group stapled securities and you hold your stapled securities for the purposes of investment (on capital account), rather than for resale at a profit (on revenue account), and the Capital Gains Tax ("CGT") provisions apply to you; and
- You are using the "Individual Tax Return 2017" and "Tax Return for Individuals (Supplementary Section) 2017" publications or myTax to complete your income tax return.

If you hold your stapled securities on revenue account, or are a non-resident, superannuation fund, company, partnership or trust investor you should consult your professional tax adviser for more information.

This Guide has been prepared to assist you or your tax adviser to complete your 2017 income tax return using your Cromwell Annual Tax Statement.

When you invest in Cromwell Property Group you acquire Cromwell Property Group stapled securities (ASX code: CMW). Each stapled security consists of a share in Cromwell Corporation Limited ("CCL") and a unit in Cromwell Diversified Property Trust ("CDPT").

In December 2006 CCL and CDPT were stapled (referred to as the Stapling Transaction). This means that shares in CCL and units in CDPT can only be transferred or traded together as Cromwell Property Group stapled securities on the Australian Securities Exchange. However, CCL shares and CDPT units remain as separate assets for taxation purposes.

Dividends and franking credits from your shares in CCL and distributions in relation to your units in CDPT need to be separately disclosed in your income tax return.

The Annual Tax Statement provides details of any dividends and distributions to which you are entitled and those amounts should be used in the preparation of your income tax return.

It is important that you apply the correct tax treatment to the tax deferred component of your distribution. While tax deferred distributions are generally not immediately assessable for income tax purposes they will however reduce the CGT cost base of your CDPT units. You should refer to the below section titled "Tax Deferred Amounts" and "Tax Deferred Amounts - Subsection 104-71(4) Item 7" for further information.

Further information regarding Cromwell Property Group distributions and dividends is available on our website at https://www.cromwellpropertygroup.com/

Thank you for investing with Cromwell Property Group. For further information about your investment, please contact your adviser or call Link Market Services Limited on 1300 550 841 within Australia, or +61 2 8280 7124 outside Australia, between 8.00am and 7.30pm, EST, Monday to Friday.

Cromwell Annual Tax Statement

Cromwell Corporation Limited ("CCL") Dividends

CCL did not pay any dividends during the year ended 30 June 2017. As such, there is no CCL dividend amount to be included in your 2017 income tax return.

Cromwell Diversified Property Trust ("CDPT") Distributions

Your Annual Tax Statement includes distributions paid to you by CDPT for the period 1 July 2016 to 30 June 2017. CDPT distributions paid per stapled security include:

- 2.0085 cents on 16 November 2016;
- 2.0085 cents on 15 February 2017;
- 2.0085 cents on 17 May 2017; and
- 2.0085 cents to be paid on or about 18 August 2017

Security holders were entitled to these distributions if they held stapled securities at 5.00pm on the respective record dates of 30 September 2016, 31 December 2016, 31 March 2017 and 30 June 2017.

Australian resident taxpayers include in their assessable income their proportionate share of CDPT's taxable income (including any net capital gains). The taxable components of CDPT's distributions are included in a resident taxpayer's assessable income for tax purposes on a present entitlement basis and not on a receipts basis. This means:

- the distribution of 2.0085 cents per stapled security to be paid in August 2017 in relation to the June 2017 quarter is included in your 2017 tax statement; and
- the distribution of 2.1075 cents per stapled security paid in August 2016 in relation to the June 2016 quarter is not included in your 2017 tax statement.

For tax purposes the distribution from CDPT comprises separate components including taxable income, capital gains, foreign income and tax deferred amounts. Your share of these components is outlined on your Annual Tax Statement.

Managed Investment Trust Regime

CDPT qualified as a Managed Investment Trust ("MIT") for the year ended 30 June 2017 in accordance with Division 275 of the Income Tax Assessment Act 1997 ("ITAA 1997"). CDPT made an irrevocable election in 2011 to treat the disposal of its eligible assets as subject to CGT and not giving rise to revenue gains or losses.

Attribution Managed Investment Trust Regime

The Government has passed new legislation establishing a new tax system for MITs including the ability for MITs to elect to be Attribution MITs ("AMITs"). The new AMIT rules are intended to reduce complexity, increase certainty and minimise compliance costs for MITs and their investors.

On 17 March 2017, Cromwell Properties Securities Limited ("CPS") announced that it had amended CDPT's constitution to allow CPS to choose for CDPT to apply the Attribution Managed Investment Trust ("AMIT") regime. You can view this announcement and the notice published on 8 March 2017 outlining the benefits of operating under the AMIT regime on the Cromwell's webpage at www.cromwellpropertygroup.com/securityholder-centre under the section 'ASX Announcements'.

Further to amending CDPT's constitution, CPS has made an irrevocable choice for CDPT to enter the AMIT regime from the 2018 financial year. Further information on the AMIT regime can be found on the ATO's website at www.ato.gov.au/General/New-legislation/In-detail/Other-topics/Trusts/New-taxation-system-for-managed-investment-trusts/.

Taxable Income

For tax purposes, as a unit holder of CDPT, you are subject to tax on your proportionate share of the taxable net income of CDPT which can include interest, dividends, foreign income, other assessable income, and net capital gains. You must report all the assessable amounts in your income tax return.

Distributed Capital Gains

Your Annual Tax Statement includes net capital gains as a result of the disposal of property and other assets during the financial year held by CDPT and its subsidiary trusts. CDPT has elected to apply the discount method where possible in respect of the calculation of these capital gains.

For Australian resident individual holders, the portion of your distribution on your Annual Tax Statement that corresponds to the CGT concession amount represents non-assessable CGT discount. The CGT concession amount should not be included in your assessable income and should not be included in your "Individual Income Tax Return 2017" or "Tax Return for Individuals (Supplementary Section) 2017". Nor does the CGT concession amount form part of your tax deferred amount of distributions (discussed below) and therefore does not reduce the cost base of your CDPT units.

Foreign Income

Your Annual Tax Statement includes foreign source income but does not include the attribution of any Controlled Foreign Companies ("CFC") income for the 2017 financial year.

Tax Deferred Amounts

Your Annual Tax Statement includes the tax deferred amount from your CDPT distributions. The tax deferred amount has generally arisen because CDPT and its underlying subsidiary trusts have claimed tax deductions for items such as depreciation, other capital allowances and the costs of raising equity.

The tax deferred amount is not immediately assessable, but will reduce the CGT cost base of your CDPT units. This reduction in cost base will be relevant in calculating any capital gain or capital loss on disposal of your CDPT units.

In addition you make a capital gain (even if you do not sell your units) if the sum of the tax deferred amounts received for each unit exceeds the tax cost base of that unit at the time of the tax deferred distribution.

Tax Deferred Amounts – Subsection 104-71(4) Item 7

Your Annual Tax Statement includes an amount referred to as "Tax deferred amounts – subsection 104-71(4) item 7**". The notes to the statement refers you to the Tax Guide for more information on the tax treatment of this amount.

The tax treatment of subsection 104-71(4) item 7 amounts reflected in the CDPT distribution is not certain given recent announcements by the ATO and ongoing industry consultation in respect of the law. The ATO is yet to finalise its position on the tax treatment of such amounts, including whether tax cost base adjustments are required for such amounts pursuant to CGT event E4. In this respect, the ATO has issued interim guidance on its website that can be found at www.ato.gov.au/Business/Bus/Interim-guidance-on-preparation-of-2016-and-2017-unit-trust-distribution-statements/.

An amount under subsection 104-71(4) item 7 arises when a distribution is made by CDPT that reflects an amount of discount capital gains made by the trust that are sheltered by capital losses made by the trust. The question arises whether such amounts reduce the CGT cost base of the units on which the distribution is made. The ATO considers in its interim guidance that the part of the direct gains which have been sheltered or offset by capital losses should be categorised as tax deferred distributions that reduce the unit holder's cost base pursuant to CGT event E4.

Further, the Government has announced that it proposed to amend the law to require investors in unit trusts that are not subject to the AMIT regime to adjust the tax cost base of their units for subsection 104-71(4) item 7 amounts with effect from distributions made in respect of income years commencing on or after 1 July 2017.

Your Annual Tax Statement shows the subsection 104-71(4) item 7 amount as being tax deferred, based on the position noted by the ATO in their recent announcements and interim guidance. That is, per ATO guidance, CPS has not disclosed distributions of amounts that reflect capital losses of CDPT that have been applied against its discount capital gains as tax free amounts, but rather such distributions are disclosed as tax deferred amounts.

As the relevant rules are complex and currently uncertain, you should seek your own tax advice from your professional tax advisor.

CPS will provide an update on Cromwell's website once the ATO or Government has finalised its position in respect of this matter.

Participation in the 2013 Cromwell Property Fund Merger

You should take particular care if you acquired Cromwell Property Group stapled securities as a result of the Cromwell Property Fund ("CPF") merger with the CDPT ("the CPF Merger") during the 2013 financial year.

On 4 October 2012 all CPF unit holders received 0.2298 Cromwell Property Group stapled securities for every CPF unit. Full details of the CPF Merger can be found in the Explanatory Memorandum on Cromwell's website at www.cromwellpropertygroup.com/cpfmerger.

Tax Treatment of the CPF Merger

A summary of the Australian taxation implications for CPF unit holders of the CPF Merger was provided in the Tax Report at Annexure 2 (page 78) of the Explanatory Memorandum & Notice of Meeting.

To further help CPF unit holders meet their tax obligations, Cromwell obtained an ATO Class Ruling CR 2013/20 in respect of certain matters. This ruling can be downloaded from the ATO's website at http://law.ato.gov.au/atolaw/view.htm?docid=CLR/CR201320/NAT/ATO/00001.

We recommend that all CPF unit holders who participated in the CPF Merger understand the tax consequences further outlined in:

- CDPT's 2013 Tax Return Guide available on Cromwell's website;
- the Tax Report contained in the Explanatory Memorandum; and
- the ATO Class Ruling.

Investors should also obtain their own professional taxation advice.

Cost Base of Securities Acquired in the CPF Merger

For CGT purposes, the cost base of Cromwell Property Group stapled securities needs to be apportioned on a reasonable basis between the share in CCL and the unit in CDPT.

The cost base of each share in CCL and unit in CDPT is equal to an apportionment of the market value of the CPF units that were given in exchange. The Commissioner has ruled in Class Ruling CR 2013/20 that at the implementation date of the CPF Merger:

- The cost base of each share in CCL on acquisition was $0.02092
- The cost base of each CDPT unit on acquisition was $0.74925

In the case of CDPT units, this cost base will have been reduced by tax deferred distributions received from CDPT since the CPF Merger.

Participation in the 2006 Stapling Transaction

You should also take particular care if you were a CCL shareholder who participated in the Stapling Transaction in December 2006. Your cost base for the CDPT units acquired as part of the Stapling Transaction will be nil, having been reduced and exceeded by the amount of tax deferred distributions received since the Stapling Transaction. Accordingly, the tax deferred distributions received this year will give rise to an immediate capital gain under CGT event E4.

You may be able to reduce your capital gain by the CGT 50% discount for individuals on this gain if you have held your CDPT units for more than 12 months.

Any capital gain arising from tax deferred amounts in excess of your CDPT unit cost base have not been included in your Annual Tax Statement, and if applicable you will need to calculate this amount and separately include it in your income tax return.

We recommend you refer to the ATO's publications "Guide to Capital Gains Tax 2017" or "Personal Investors Guide to Capital Gains Tax 2017" or contact your professional tax adviser to determine these amounts.

TFN Amount Withheld

Where you have not provided your Tax File Number ("TFN"), Australian Business Number ("ABN") or claimed a relevant exemption, amounts have been withheld from the taxable components of income distributed to you by CDPT at 49%.

The tax withheld should be claimed as a credit in your income tax return.

Disposal of your Stapled Securities

If you have disposed of Cromwell Property Group stapled securities during the 2017 financial year, the following summary should assist you to determine the amount you need to include as a capital gain or loss in your income tax return. For further guidance we recommend you obtain a copy of the ATO's publications "Guide to Capital Gains Tax 2017" or "Personal Investors Guide to Capital Gains Tax 2017" available at: www.ato.gov.au. You should also obtain your own tax advice from your professional tax advisor.

Your Investment in Cromwell Property Group Stapled Securities

For tax purposes, the sale of a stapled security is treated as a disposal of both a share in CCL and a unit in CDPT, and a separate CGT calculation will be needed for each security.

Upon disposal of a stapled security, a security holder will make a capital gain if:

- the portion of the consideration reasonably attributable to a share in CCL exceeds the cost base of the share; and/or
- the portion of the consideration reasonably attributable to a unit in CDPT exceeds the cost base of the unit.

A security holder will make a capital loss if:

- the portion of the consideration reasonably attributable to a share in CCL is less than the reduced cost base of the share; and/or
- the portion of the consideration reasonably attributable to a unit in CDPT is less than the reduced cost base of the unit.

Where you have held your securities for more than 12 months, you may be able to reduce your taxable capital gain by the CGT discount, of 50% for individuals.

We recommend that you refer to the ATO CGT publications noted above or contact your professional tax adviser to determine the correct treatment and order of calculating your net capital gain.

Capital Proceeds and Cost Base of Shares and Units

For CGT purposes, the cost base on acquisition and proceeds received on disposal of each stapled security will need to be apportioned on a reasonable basis between the share in CCL and the unit in CDPT.

Generally, the cost base of your shares and units is the amount you paid for them, including the incidental costs of acquisition and disposal. The amount paid will also need to be apportioned between the shares in CCL and the units in CDPT.

As noted above, if you acquired your Cromwell Property Group stapled securities in the CPF Merger you should refer to ATO Class Ruling CR 2013/20 for guidance in relation to your cost base. In this ruling, the Commissioner of Taxation accepts that the initial cost base of your CCL shares was $0.02092 and your CDPT units was $0.74925.

If you were a CDPT or syndicate unit holder prior to the 2006 Stapling Transaction, your cost base per CCL share will generally be the amount of the stapling distribution, being 0.025 cents per share, plus any incidental costs of acquisition and disposal.

	Net Tangible Assets per stapled security	CCL Apportionment	CDPT Apportionment
30 Jun 2017	$0.86	0.00%	100.00%
31 Dec 2016	$0.86	0.00%	100.00%
30 Jun 2016	$0.82	0.00%	100.00%
31 Dec 2015	$0.82	5.15%	94.85%
30 Jun 2015	$0.74	4.50%	95.50%
31 Dec 2014	$0.74	4.58%	95.42%
30 Jun 2014	$0.73	4.11%	95.89%
31 Dec 2013	$0.71	4.23%	95.77%
30 Jun 2013	$0.70	4.98%	95.02%
31 Dec 2012	$0.67	3.53%	96.47%
30 Jun 2012	$0.67	2.45%	97.55%
31 Dec 2011	$0.68	2.21%	97.79%
30 Jun 2011	$0.73	1.31%	98.69%
31 Dec 2010	$0.70	1.46%	98.54%
30 Jun 2010	$0.71	1.31%	98.69%
31 Dec 2009	$0.73	1.38%	98.62%
30 Jun 2009	$0.76	1.18%	98.82%
31 Dec 2008	$0.86	3.82%	96.18%
30 Jun 2008	$1.01	2.33%	97.67%
31 Dec 2007	$1.02	3.74%	96.26%
30 Jun 2007	$0.96	1.54%	98.46%
31 Dec 2006	$0.78	1.64%	98.36%

If you were a CCL shareholder prior to the Stapling Transaction in December 2006, your cost base per CDPT unit will generally be the amount of the stapling distribution, being 0.1 cents per unit, plus any incidental costs of disposal.

In the case of your CDPT units, as noted above, the cost base is also reduced by the tax deferred distributions you have received. These amounts are outlined in your Annual Tax Statement provided each year.

In the case of security holders that did not obtain their Cromwell Property Group stapled securities at the time of the CPF Merger or 2006 Stapling Transaction, one possible method of apportionment is on the basis of the relative net tangible assets of CCL and CDPT. Details of the net tangible assets of CCL and CDPT since the stapled group was formed in December 2006 are set out in the table above. Please note that the net tangible asset apportionment for CCL includes the value of management rights and acquired goodwill from the acquisition of Valad Europe on 31 March 2015.

How to Complete your Tax Return using the Annual Tax Statement

If you are lodging an individual income tax return you will need to complete questions 11, 13, 18 and 20 of your income tax return.

If you are using *my*Tax:

For resident individual holders using myTax to lodge their individual income tax return the following section should be used as guide to personalise your income tax return to ensure the relevant questions and sections are completed.

If the distribution from your investment in Cromwell Property Group stapled securities has been pre-filled for you, check this information against your Annual Tax Statement. If the information has not been pre-filled yet, transpose the amounts from your Annual Tax Statement under the heading "Tax Return Amount" column to the tax return boxes corresponding to the 2017 Tax Return Labels shown on your Annual Tax Statement.

2017 TAX RETURN FOR INDIVIDUALS

Question 11: Dividends

As CCL did not pay a dividend during the 2017 financial year there is no CCL dividend amount to be included at Question 11 of your 2017 income tax return.

FOR INDIVIDUALS (Supplement)

Question 13: Partnerships and Trusts – Non-primary production income

Using your Annual Tax Statement and the "Individual Tax Return Instructions Supplement 2017" you should include the Australian interest income amount, any franked distribution amount (including any franking credit amount) and the other Australian taxable income amount of your distributions from CDPT.

TFN withholding tax has been deducted from distributions at the rate of 49% where Cromwell did not receive your TFN, ABN or relevant exemption. The tax withheld should be included in this question and offset against the tax payable on your taxable income or refunded.

Question 18: Capital gains

You should use your Annual Tax Statement to include at this question the net capital gain amount included on your statement.

Net Capital Gains

The assessable amount of your distributions for the 2017 financial year includes net capital gains. If you have no other capital gains and/or losses from other sources, the sum of these components (i.e. all items marked 18A* on your Annual Tax Statement) is your net capital gain reportable at Item 18A in your 2017 Income Tax Return Supplementary Section.

As your CDPT distribution includes capital gains, you should complete the "YES" box at Item 18G of your 2017 Income Tax Return Supplementary Section.

CDPT elected to apply the discount method where possible to determine the amount of net capital gain to include in its taxable income.

As discussed above, you should also include at this question any capital gains (or losses) resulting from the tax deferred amounts depleting the cost base of your CDPT units to nil or otherwise arising such as on the disposal of your stapled securities.

Total Current Year Capital Gains

If you have no other capital gains from other sources, then Item 18H of your Income Tax Return Supplementary Section will typically include the sum of the following amounts:

- Discounted capital gains – TARP multiplied by 2;
- Discounted capital gains – NTARP multiplied by 2;
- Other capital gains – TARP; and
- Other capital gains – NTARP.

The result of the above is your "Total current year capital gains" and represents your grossed up capital gains prior to applying any capital losses and concessions.

You will need to work through Question 18 of the Income Tax Return Supplementary instructions to ensure that you calculate and report your capital gains and/or losses correctly at Item 18 of your 2017 Income Tax Return Supplementary Section.

Additional guidance may be obtained from the following ATO publications:

- Guide to Capital Gains Tax 2017; and
- Personal Investors Guide to Capital Gains Tax 2017.

Both of these publications are available from the ATO's website. As the capital gains tax rules are complex, you should seek your own tax advice from your professional tax advisor.

Question 20: Foreign source income and foreign assets or property

Using your Annual Tax Statement you should separately disclose any foreign source income amount at Question 20.

You may be entitled to a foreign income tax offset of the amount of any foreign tax credit disclosed on your Annual Tax Statement. If your total foreign income tax offset from all sources is less than $1,000 then you can claim this amount in full.

You should follow the steps in the instructions to Question 20 of the "Income Tax Return Instructions 2017" or refer to the ATO's publication "Guide to Foreign Income Tax Offset Rules 2017", to determine your entitlement.

ATO Links

Relevant ATO Publications and information:

- You and Your Shares 2017
- Personal Investors Guide to Capital Gains Tax 2017
- Guide to Capital Gains Tax 2017
- Foreign Income Return Form Guide 2017
- 2017 Individual Tax Return including the Tax Return for Individuals (Supplementary Section) 2017.

To obtain copies of these publications from the ATO please phone the ATO publications distribution service on 1300 720 092, 13 36 77 (for the hearing impaired) or visit the ATO website at www.ato.gov.au and select "Forms and instructions" or "Print publications".

Duplicate Tax Statements

A duplicate copy of your 2017 Annual Tax Statement can be downloaded, free of charge by clicking on the link to Link Market Services at:

https://investorcentre.linkmarketservices.com.au/Login/Login

Alternatively, for a replacement statement contact Link Market Services Limited on 1300 550 841 (within Australia) or +61 2 8280 7124 (outside Australia) between 8.00am and 7.30pm, EST, Monday to Friday.

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