



Australian Tax
Transparency Report
2022

Published on 26 June 2023

CFO STATEMENT



We are proud to present Cromwell Property Group's (the Group or Cromwell) Australian Tax Transparency Report (Report) for the year ended 30 June 2022 (FY22). This Report demonstrates Cromwell's continued commitment to openly and transparently report on the Group's tax affairs and Australian tax contributions.

This Report is intended to provide transparency over the way the Group

manages its tax affairs and has been prepared based on the principles in the Australian Government's Board of Taxation's Voluntary Tax Transparency Code. The disclosures within this Report have been independently reviewed and should be read in conjunction with Cromwell's FY22 Annual Report which can be found in the Securityholder Centre on our website: www.cromwellpropertygroup.com/securityholder-centre

Cromwell is headquartered in Brisbane, Queensland, Australia and has operations on three continents, in 15 countries and over 350 employees. We are a global taxpayer that is committed to paying the correct amount of tax in each jurisdiction in which profits are earned.

In FY22, the Group contributed towards both Australian and State governments through the collection and payment of tax in excess of \$28.8 million¹. This amount represents a variety of direct and indirect tax commitments which apply to Cromwell's transactional, employment and business operations.

Importantly, in addition to the \$28.8 million of tax paid, Cromwell's unitholders pay tax on net income from the Group's \$2.8 billion Australian property portfolio and foreign investments. These investments are held by the Cromwell Diversified Property Trust (DPT), with unitholders liable for Australian tax on DPT's net (tax) income. DPT paid unitholders total cash distributions of \$170.3 million during FY22 and withholding tax of \$5.3 million was withheld from distributions paid to certain taxpayers. However, the significant tax contribution of unitholders on this income cannot be precisely quantified, as investors are subject to tax on their proportionate share of the net income of DPT at their relevant marginal tax rates in Australia and overseas.

Michael Wilde
Chief Financial Officer
Cromwell Property Group

¹ In this Report, a reference to a monetary amount is a reference to be in Australian currency unless specified otherwise.

OVERVIEW OF CROMWELL PROPERTY GROUP

Cromwell (ASX:CMW) is a real estate investor and fund manager with operations on three continents and a global investor base. Cromwell is included in the S&P/ASX 200. As at 31 December 2022, Cromwell had a market capitalisation of \$1.8 billion, a direct property investment portfolio in Australia valued at \$2.8 billion and total assets under management of \$12.0 billion across Australia, New Zealand and Europe.

As at 31 December 2022, the Group's fund and asset management platform comprised over 350 staff in 20 offices in 15 countries across Australia, New Zealand, Singapore and Europe. Total assets under management, of \$12.0 billion, are diversely spread across a range of sectors including office (64%), retail (9%), industrial/logistics (20%), property securities (3%) and other investments (4%). The portfolio comprises over 210 assets leased to more than 2,300 tenants.

Broad Fund Management Platform

\$12.0 billion

\$8.1 billion
Total third-party AUM

\$5.4 billion
Europe

\$2.7 billion
Australia / New Zealand

Geographically and Culturally Diverse Team

350+
people

15
countries

20
offices

Global Asset Management Expertise

217
properties

3.5 million
sqm

2,300+
tenant customers

*As at 31 December 2022

CROMWELL'S TAX PROFILE

Cromwell Property Group Stapled Structure

An investment in Cromwell consists of a Cromwell Property Group stapled security (ASX:CMW). Each stapled security is comprised of a share in Cromwell Corporation Limited (CCL) and a unit in the Cromwell Diversified Property Trust (DPT). Shares in CCL and units in DPT can only be transferred or traded together as Cromwell Property Group stapled securities on the Australian Securities Exchange. However, CCL and DPT remain separate entities for taxation purposes.

Cromwell Diversified Property Trust Structure

DPT was an Attribution Managed Investment Trust (AMIT)² for the year ended 30 June 2022. DPT predominantly holds investments in land in Australia and Europe. DPT and its controlled subsidiaries only carry-on activities within the ambit of an 'eligible investment business' for the purposes of the Australian trading trust rules. This mainly includes investing in land primarily for the purpose of deriving rent. DPT and its Australian subsidiary trusts are not subject to corporate income tax on their taxable income (including assessable realised capital gains) provided that the unitholders are attributed all of the net (tax) income of DPT each year. The assessable and non-assessable

components attributed to DPT's unitholders are disclosed in the Attribution Managed Investment Trust Member Annual Statement (AMMA Statement) provided to unitholders each year.

DPT holds an interest in a small number of corporate entities resident in Australia that are subject to Australian corporate income tax on their taxable income at a rate of 30%. DPT's foreign domiciled investments are subject to foreign income tax and withholding taxes in their respective jurisdictions.

Cromwell Corporation Limited Structure

CCL and its subsidiaries (the CCL Group) carry out businesses including the Group's fund management and asset management activities in 14 countries. CCL's income is generally subject to corporate income tax in the jurisdiction in which it is earned. In Australia, CCL has formed a tax consolidated group with its eligible Australian resident subsidiaries and is taxed as a single entity. CCL's Australian corporate income tax rate is 30%, while the tax rates in the other operating jurisdictions are generally lower than in Australia (i.e. Poland (19%), UK (19%), and Singapore (17%)).

A full list of the Group's wholly owned subsidiaries is included in Note 18 of Cromwell's FY22 Annual Report.

² For the purposes of *Income Tax Assessment Act 1997 (Cth)*.

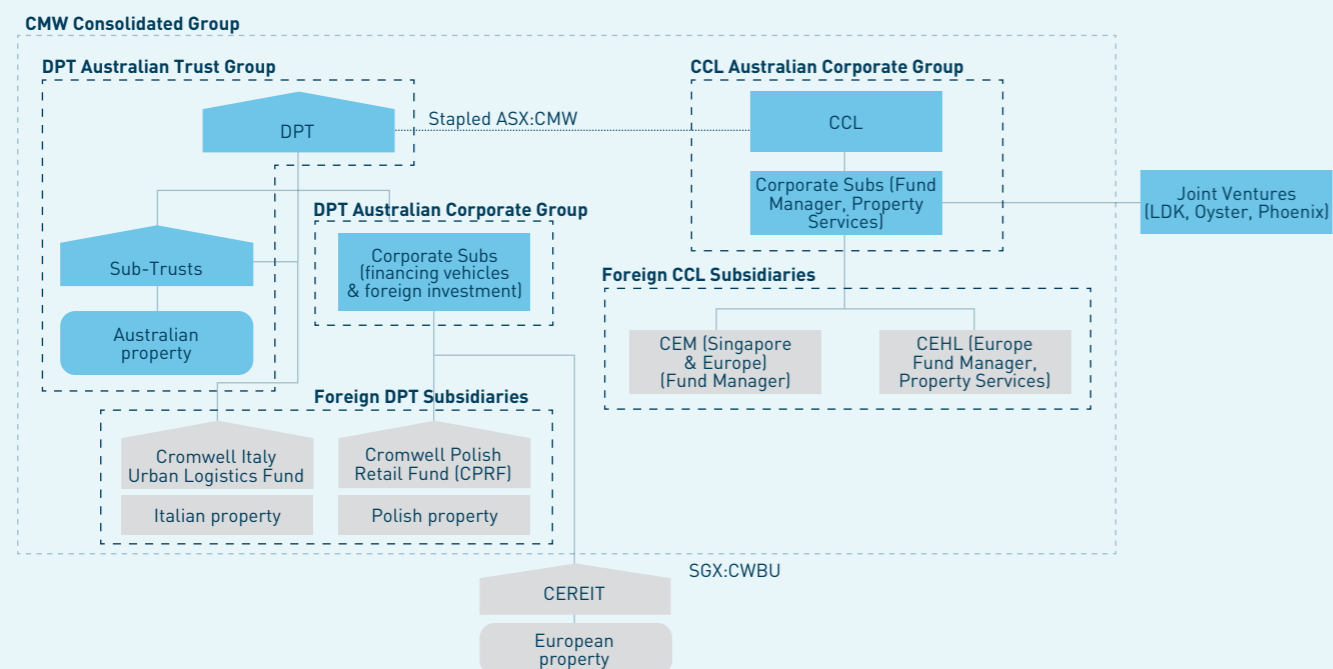
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Tax Reporting Groups

Disclosures in this report have been prepared referencing the following reporting groups as depicted at Figure 1:

- CMW Consolidated Group
- CCL Australian Corporate Group
- Foreign CCL Subsidiaries
- DPT Australian Trust Group
- DPT Australian Corporate Group
- Foreign DPT Subsidiaries



TAX RISK MANAGEMENT

Cromwell's Tax Risk Management and Governance

The Cromwell Board is committed to the Group meeting securityholders' and stakeholders' expectations of good corporate governance³ and has a long-established approach of reviewing at least annually its tax risk management appetite and setting Cromwell's formal Tax Risk Management Policy (Policy).

The Cromwell Board's Audit Committee and senior management are responsible for maintaining, monitoring and implementing the Policy.

The Board believes managing tax risk is core to good corporate governance and the Policy ensures appropriate oversight, sound systems, clear accountabilities, strong controls, ethical behaviours and that highly skilled people are supported by robust processes and procedures.

Cromwell's Attitude to Tax Risk

The Cromwell Board has always adopted a conservative approach in relation to the acceptance and management of tax risk and aims to adopt positions that result in low residual tax risk. Cromwell always seeks to comply with tax laws and does not engage in tax evasion or aggressive tax planning. Optimal commercial and tax outcomes are pursued through tax positions that are supportable in law with low residual tax risk.

The Policy outlines the Group's approach to minimising tax risk, including appointing reputable independent tax advisors

and applying for tax rulings when significant tax positions are uncertain. The Policy summarises Cromwell's tax governance processes, including that all significant income tax compliance work is reviewed by a reputable independent tax advisor before lodgement. Cromwell undertakes tax due diligence of all significant new transactions to assess the tax risks before committing to a transaction.

Cromwell is committed to engaging with tax authorities in a constructive and open manner in all countries and states in which it operates.

INTERNATIONAL RELATED PARTY DEALINGS

The Australian business provided services in FY22 to international related parties as follows:

- management services provided to subsidiaries in the UK and Singapore; and
- intergroup funding provided to related parties located in the UK, Singapore and Poland.

Fees were charged for management services consistent with arm's length benchmark studies prepared by our tax advisors. All financial arrangements are consistent with ATO guidance and rulings, OECD's transfer pricing guidelines and advice received from our tax advisors.

RECONCILIATION TO ATO CORPORATE TAX TRANSPARENCY DISCLOSURES

The ATO did not publish the Group's taxable income information in its FY21 Report of Entity Tax Information as the Group did not have any companies with total income in excess of \$100 million.

Likewise, we do not expect the ATO to publish the Group's taxable income for FY22. The ATO has not reviewed Cromwell under its Justified Trust Program. As such, the Group has not received an ATO assurance rating.

RECONCILIATION OF ACCOUNTING PROFIT TO TAX EXPENSE AND TAX PAID

The below table is a reconciliation of accounting profit to the tax expense as disclosed in Cromwell's FY22 Annual Report. This section elaborates on those disclosures as it relates to the Group's Australian corporate taxpayers. As outlined previously, the income tax payable on DPT's trust income is not disclosed below as it is attributed to unitholders under the AMIT tax regime.

Part A. Reconciliation of Accounting Profit to Income Tax Payable and Income Tax Paid

	CCL Australian Corporate Group \$M	CCL Foreign Subsidiaries \$M	DPT Australian Trust Group \$M	DPT Australian Corporate Group \$M	DPT Foreign Subsidiaries \$M	CMW Consolidated Group \$M
Part A. Reconciliation of Accounting Profit to Income Tax Payable and Income Tax Paid						
Profit / (Loss) before Income Tax	3.8	(4.3)	215.4	57.4	15.0	287.3
Income Tax calculated at 30%	1.1	(1.2)	64.6	17.2	4.5	86.2
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:						
Trust income	-	(0.1)	(64.6)	-	(2.8)	(67.5)
Fair value movement non-assessable	-	(0.2)	-	(2.1)	6.4	4.1
Non-deductible expenses / (non-taxable income)	(2.3)	0.6	-	0.2	(0.9)	(2.4)
Movement in tax losses recognised	3.5	1.3	-	(0.1)	(2.9)	1.8
Deferred tax assets derecognised / (recognised)	7.4	-	-	(4.0)	-	3.4
Movement in initial recognition exemption	-	-	-	-	-	-
Tax credits forgone on foreign earnings	-	-	-	-	-	-
Adjustment in relation to prior periods	(0.2)	-	-	(0.3)	0.1	(0.4)
Difference in overseas tax rates	-	1.3	-	-	(2.4)	(1.1)
Income Tax Expense / (Benefit)	9.5	1.7		10.9	2.0	24.1
Effective Tax Rate	250.00%			18.99%		8.39%
Timing differences charged to income statement	(5.5)	0.1	-	(10.6)	(3.0)	(19.0)
Tax Expense in Equity	-	-	-	-	-	-
Tax credits	-	-	-	-	-	-
Tax losses	(3.5)	(1.3)	-	0.1	2.9	(1.8)
Reverse PY true up	0.2	-	-	0.3	(0.1)	0.4
Income Tax Payable	0.7	0.5		0.6	1.8	3.6

Part B. Income Taxes Paid

	CCL Australian Corporate Group \$M	CCL Foreign Subsidiaries \$M	DPT Australian Trust Group \$M	DPT Australian Corporate Group \$M	DPT Foreign Subsidiaries \$M	CMW Consolidated Group \$M
Part B. Income Taxes Paid						
Income Taxes Paid - Statement of Cash Flows						
FY21 Income Tax Payable / (Receivable)	(1.7)	0.4	-	0.8	(0.8)	(1.3)
Income tax paid / (refunded) in FY22	(1.3)	(1.1)	-	(0.7)	0.2	(2.9)
Current tax expense / (benefit)	0.7	0.5	-	0.6	1.8	3.6
Other	0.4	0.2	-	(0.1)	-	0.5
FY22 Income Tax Payable / (Receivable)	(1.9)	-		0.6	1.2	(0.1)

Notes:

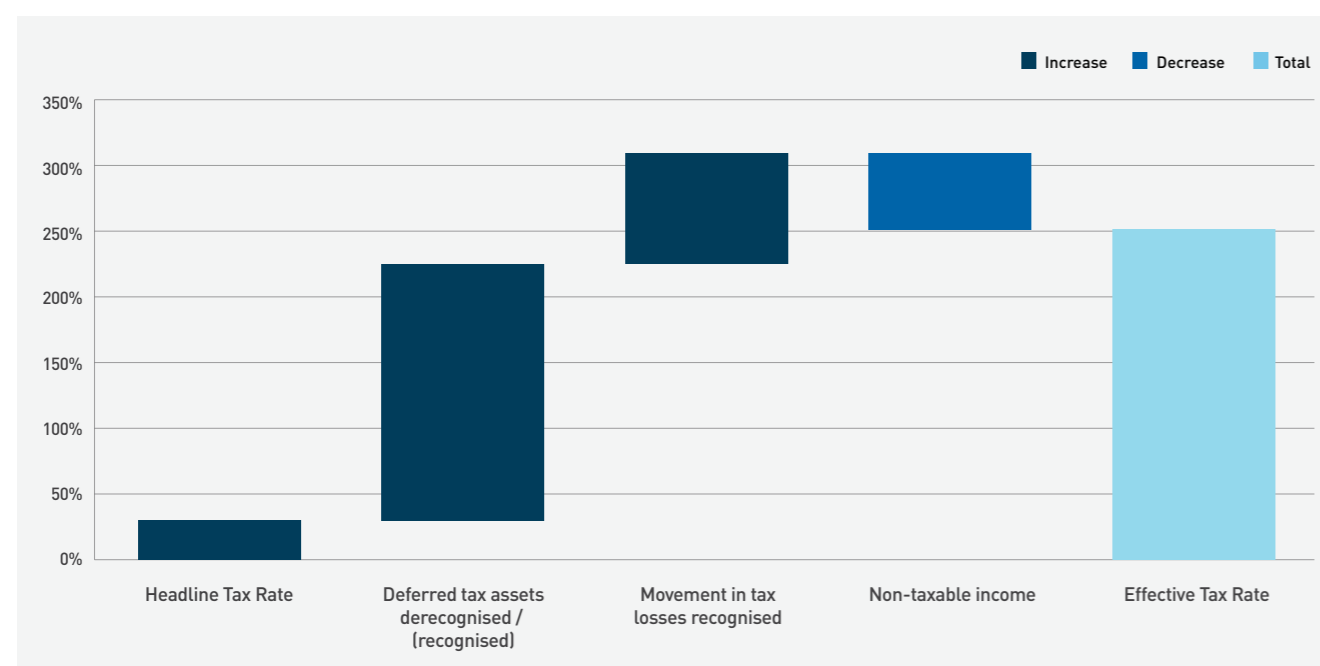
1. The above breakdown is based on information contained in the Group's FY22 Annual Report.
2. Tax payments are recorded on a cash paid and received basis.
3. Tax payments are only included for entities that are controlled by the Group.
4. Foreign tax payments have been converted to Australian dollars at the average rate used in preparation of the Group's FY22 Annual Report.

EFFECTIVE TAX RATES

The below table outlines the Group's Australian Effective Tax Rates (ETRs).

Australia			
FY22		FY21	
CCL Australian Corporate Group	DPT Australian Corporate Group	CCL Australian Corporate Group	DPT Australian Corporate Group
250.00%	18.99%	[2.83%]	2.09%

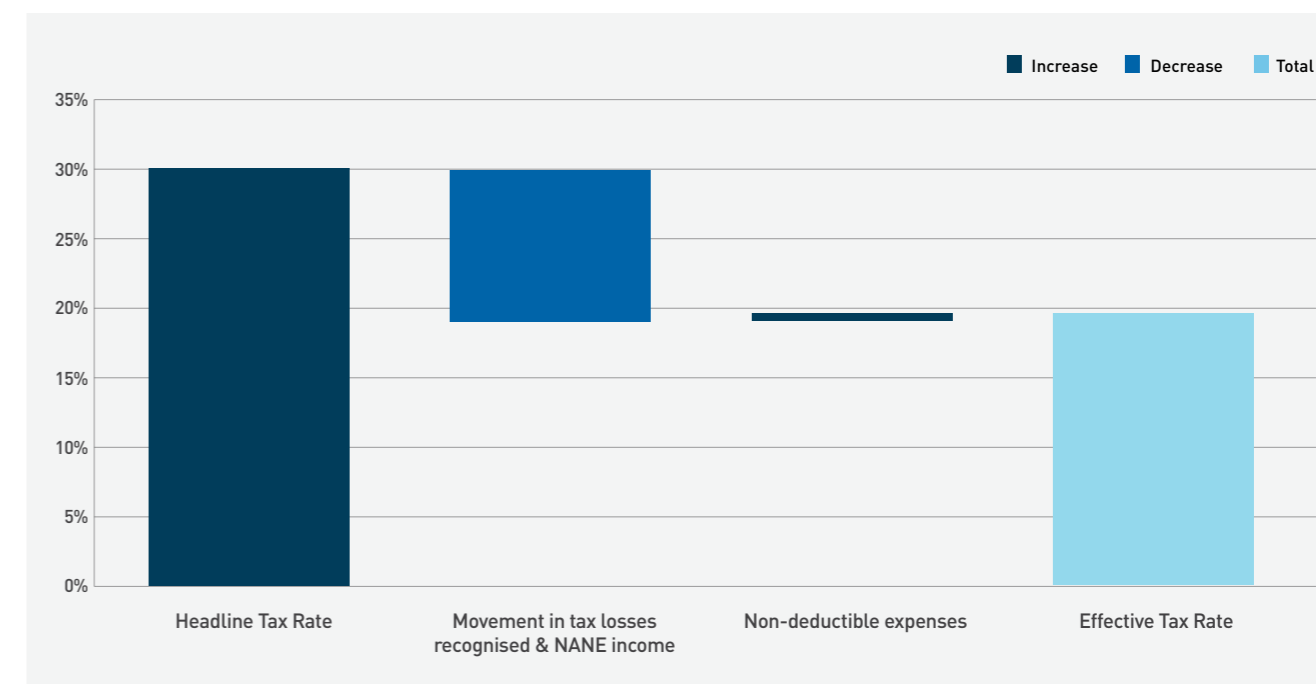
CCL Australian Corporate Tax ETR Drivers



The CCL Australian Corporate Group's ETR was significantly higher than the Australian headline tax rate of 30% in FY22 primarily due to the following reasons:

- The main driver of CCL's high ETR was the derecognition of CCLs' deferred tax assets. CCL recognises deferred tax assets to the extent it is probable that future taxable profit will be available against which the assets can be used. The following assets were derecognised in FY22 resulting in increased tax expense:
 - CCL derecognised \$7.4 million of deferred tax assets relating to future deductible provisions and expenses. These assets were not sufficiently supported by forecasted taxable income.
 - CCL derecognised \$3.5 million of deferred tax assets for previously recognised carried forward tax losses including:
 - \$0.9 million of previously recognised revenue tax losses were no longer sufficiently supported by forecasted taxable income.
 - \$2.6 million of previously recognised capital losses were derecognised as a result of CCL's reduced latent capital gains.
- Other smaller differences resulted from:
 - Differences resulting from the revaluation of CCL's investments for accounting purposes that are either not assessable for tax purposes, or where deferred tax assets or liabilities are not recognised for these investments for tax accounting purposes under AASB 112.
 - Non-assessable foreign exchange gains on loans that generate non-assessable non-exempt (NANE) income.

DPT Australian Corporate Tax ETR Drivers



The ETR of DPT's corporate subsidiaries of 18.99% was lower than the Australian headline tax rate of 30% in FY22. DPT's Australian corporate subsidiaries mainly hold significant (non-portfolio) interests in the Cromwell European Real Estate Investment Trust (CEREIT) and the Cromwell Poland Retail Fund (CPRF). The decrease in the ETR was primarily driven by:

- The recognition of a deferred tax asset for previously unbooked capital losses on CPRF that were expected to be offset against the group's latent capital gain on CEREIT; and
- The earning of NANE dividend income from the CEREIT structure.

In addition, DPT's holding in CPRF gave rise to a small amount of attributable income under the Australian controlled foreign company attribution regime.

DPT Australian Trust Group

As outlined previously, DPT was an AMIT for FY22. The assessable distribution components attributed to DPT's Australian resident unitholders in their FY22 AMMA Statements are outlined in the below table. During FY22, withholding tax of \$5.3 million (FY21: \$3.1 million) was withheld mainly from distributions to non-resident unitholders and remitted to the ATO. Cromwell publishes an Annual Guide to DPT's AMMA Statement advising Australian resident unitholders how distributions should be disclosed in their income tax return.

Assessable Tax Component	Percentage of Cash FY22	Percentage of Cash FY21
Unfranked Dividends	0.0004%	0.0000%
Franked Dividends	0.2043%	0.4952%
Interest income	4.8733%	1.5182%
Other assessable Australian income	27.8169%	29.2011%
Excluded from Non-Concessional MIT Income (NCMI) - Non-Primary Production (NPP)	0.2242%	0.0000%
Excluded from NCMI - NPP	0.1143%	0.0000%
Foreign Income	0.0000%	0.0000%
Clean Building MIT Income	3.6615%	4.2119%
Conduit Foreign Income	0.0000%	1.3893%
Total Assessable Tax Components*	36.8949%	36.8157%

AUSTRALIAN TAX CONTRIBUTION STATEMENT

The Group is a landholder and employer and is, therefore, subject to a number of federal and state taxes. A summary of the Group's Australian tax contributions for FY22 is outlined below. The contribution statement covers taxes levied on the Group, as well as taxes remitted and collected by the Group on behalf of the ATO.

	Australian Taxes Paid (Refunded)				Australian Taxes Collected & Remitted			Total Australian Taxes Paid, Collected
	A\$M				A\$M			A\$M
	Corporate Income Tax Paid	Employment Taxes Paid	Transfer and Other Taxes Paid	Total Taxes Paid	Indirect Tax Collected	Employee Tax Collected	Total Taxes Collected	
FY22	1.3	1.7	1.2	4.2	15.0	9.6	24.6	28.8
FY21	1.0	1.9	0.7	3.6	18.1	10.8	28.9	32.5

Notes:

- The above table includes Australian taxes paid or collected during the period and does not include tax payments to foreign tax authorities.
- The Corporate Income Tax Payable represents the Australian income tax paid by the Group as outlined in the above Reconciliation of Accounting Profit to Tax and Tax Paid.
- The Employment Taxes Paid includes:
 - Fringe Benefits Tax (FBT), which was the Group's FBT liability per the return for the year ended 31 March 2022; and
 - Payroll tax remitted for the Group's employees based in Queensland, New South Wales, Victoria and the Australian Capital Territory.
- Transfer and Other Taxes Paid includes:
 - State stamp duty (or transfer duty) payable on the acquisition of land, or land rich entities. The Group did not make any dutiable acquisitions during FY22 or FY21;
 - Land taxes are calculated and assessed on landholders with property that is above the land tax threshold in each State. As a landholder, the Group pays land tax in each of the States and Territories in which it holds property. This cost is often passed on to tenants through lease agreements. The amount included in the above table is the net tax liability; and
 - Various other levies are charged by each of the local councils within which the Group operates including car parking levies and emergency services levies.
- Indirect Taxes Collected includes GST collected by Group's GST registered entities and remitted to the ATO.
- Employee Taxes Collected was the total PAYG withheld and remitted to the ATO on behalf of Cromwell's Australian employees.