



Arrow Primary Infrastructure Fund

ARSN 110813851

**Interim report - for the half-year ended
31 December 2020**



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These financial statements cover Arrow Primary Infrastructure Fund (the "Fund") and are presented in Australian currency.

The Responsible Entity of the Fund is Arrow Funds Management Limited (ACN 146 671 276). Its registered office is at Level 25, 360 Collins Street, Melbourne VIC 3000.

Responsible Entity's report

The directors of Arrow Funds Management Limited, the Responsible Entity of Arrow Primary Infrastructure Fund (the "Fund"), present their report together with the financial statements of the Fund for the half-year ended 31 December 2020.

Directors

The following persons held office as directors of Arrow Funds Management Limited during the period and up to the date of this report:

Andrew Ashbolt
Murray Jones
Matthew Reid
Gerald O'Byrne (Alternative director for Matthew Reid)

Principal activities

The Fund is an open ended, unlisted property trust with investments in Australian property and infrastructure assets used in the primary production industry.

During the period the Fund owned 22 properties which were leased to leading Australian primary production companies involved in the poultry, pork, almond, dried fruit, mango, citrus and glasshouse industries.

On 1 July 2020 the Fund's wholly owned company, Advinco Farm Pty Ltd, ceased managing the Fund's dried fruit vineyard at Colignan and a new 25 year lease commenced with Golden Dried Fruits 1 Pty Ltd, which is part of the Australian Premium Dried Fruits/Scalzo Foods Group. The Scalzo Foods Group are continuing with the significant vineyard and irrigation development works at that property, with the Fund contributing to capital expenditure.

No other leases were negotiated during the period and the weighted average lease expiry (WALE) of all leased properties was 12.6 years at 31 December 2020.

In addition to the above 22 properties, the Fund also owns Boomer Park, a 1,394 hectare property at Lawrence, in the northern rivers region of New South Wales, which Arrow is developing into a large-scale macadamia orchard. As at 31 December 2020, approximately 80% of the proposed 813 hectare macadamia orchard had been planted out, with the balance of approximately 55,000 trees still to be planted. Approximately 550 mm of rain fell on the property in early January 2021, resulting in a delay to the final plantings, which are now expected to complete in March 2021. The rains also delayed completion of the final dam being constructed on the property; but the flip side is that there is now close to 800 megalitres of water stored in the property's new dams.

As the Fund provides agricultural properties and infrastructure to "essential services" industries, the impact on the Fund to date from COVID19 has been minimal. All tenants have adjusted their business processes to implement COVID safe practices and will continue to do so while the pandemic remains. We will continue to monitor and evaluate the pandemic and the efforts that potential future restrictions will have on the Fund.

There were no significant changes in the nature of the Fund's activities during the period.

Review and results of operations

1. Results:

The performance of the Fund for the half-year, as represented by the results of its operations, was as follows:

	31 December 2020	31 December 2019
Net profit for the half-year	\$10,576,960	\$9,591,374
Add back: Depreciation and amortisation	\$1,596,387	\$1,411,726
Revaluation/Impairment of Investment Property and Agri Assets	(\$3,661,217)	(\$4,783,584)
Straight line rent adjustment	(\$952,098)	\$1,894,310
MTM movement of shares and derivative instruments	(\$521,946)	(\$168,360)
Normalised earnings ⁽¹⁾	\$7,038,086	\$7,975,466
Normalised earnings per unit (cents per unit) ⁽¹⁾	4.09	4.76
Distributions paid and payable	\$6,884,457	\$6,704,830
Distributions (cents per unit)	4.00	4.00

(1) Normalised earnings is the net profit for the year excluding statutory non-operating accounting adjustments such as accounting for fair value movements in property valuations and other financial assets, straight line lease accounting and other non-cash items such as amortisation of debt establishment fees and depreciation.

Review and results of operations (continued)

1. Results (continued)

The main factors influencing the result for the half-year period were:

- Total property rental income was \$12.377 million, up by \$1.988 million compared with the previous corresponding period. This was mainly due to an increase in property rental income, which is recognised on a straight line basis, and after an adjustment was made in the previous corresponding period to write off \$1.946 million as a result of the cancellation of the Colignan property lease.
- Rental income also comprised:
 - base property rent (down by \$0.049 million); and
 - property expenses recoverable from tenants (up \$0.014 million).
- Finance costs were \$0.065 million higher than the previous corresponding period due to increased borrowings. Average borrowings for the 6 months to 31 December 2020 were \$133.0 million compared with \$104.6 million for the previous corresponding period. The average interest rate paid on borrowed funds was 3.28% per annum compared with 4.1% per annum for the previous corresponding period.
- The administrative cost of running the Fund calculated by annualising the Indirect Cost Ratio (ICR) was 2.18% for the half-year compared to 2.06% for the previous corresponding period (up by \$0.127 million).
- The "Marked to Market" movement in the Fund's interest rate derivatives resulted in a gain of \$1.047 million compared to a gain of \$0.168 million for the previous corresponding period. This reflects the market's expectation that future interest rate decreases may now be slightly less than previously anticipated.
- The "Marked to Market" movement of the Fund's share investment in Murray River Organics Group Ltd decreased by \$0.525 million in the six months to December 2020.
- Total revaluations of assets (investment properties & agricultural assets) for the half-year were up \$4.977 million compared to \$4.342 million for the previous corresponding period.

2. Value of Fund's Assets:

	31 December 2020	30 June 2020
Total assets	\$310,174,188	\$303,882,560
Net assets attributable to unitholders	\$159,600,654	\$152,444,332
Net asset value ('NAV') per unit	\$0.9219	\$0.8930

The value of the Fund's assets and liabilities is derived using the basis disclosed in note 2 of the financial statements of the most recent annual financial report (30 June 2020).

The loan to valuation ratio ("LVR") was 44.5% at 31 December 2020 compared to 46.1% at 30 June 2020 and 42.3% at 31 December 2019.

3. Contributed Equity

There was no equity raising conducted by the Responsible Entity during the half-year to 31 December 2020.

Distributions for the Fund are paid from cash available from operating activities; i.e. rent and interest received less the expenses of the Fund. Distributions paid or provided for in the half year to 31 December 2020 were \$6,884,457 (December 2019: \$6,704,830).

During the half-year to December 2020, a total of 2,411,411 new units were issued under the Fund's Distribution Reinvestment Plan (DRP) at a value of \$2,148,205.

The DRP represents an opportunity for all unitholders to increase their holding in the Fund and unitholders have slightly increased their participation rate (in units) to 35% for the December 2020 quarter distribution, compared to 31% for December 2019 quarter.

The Responsible Entity did not offer a quarterly withdrawal facility during the half year to December 2020 as there was more than sufficient liquidity offered by investors who had registered their interest on Arrow's Buyers' List.

As at 31 December 2020 there were 521 unitholders in the Fund.

4. Asset Acquisitions

The Fund spent a total of \$7.056 million on planned Capex at the Fund's following properties: Advinco Dried Fruit Farm, Boombera Park Macadamia Farm, Lake Powell Almond Farms and Katherine Packing Shed.

5. Debt facilities

On 8 December 2020, the Fund formally increased borrowing facilities with its secured lender by \$10.00 million to \$146.0 million. At 31 December 2020 the Fund had total borrowings drawn down on these facilities of \$134.50 million.

Significant changes in state of affairs

Other than the commencement of a new lease of the Fund's Colignan dried fruit vineyard, now called Advinco Farm, on 1 July 2020, there were no significant changes in the state of affairs of the Fund that occurred during the period ended 31 December 2020.

Matters subsequent to the end of the reporting period

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of financial and property markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors.



Andrew Ashbolt
Director

Melbourne
19 February 2021

Auditor's Independence Declaration

To the Directors of Arrow Funds Management Limited, the Responsible Entity for Arrow Primary Infrastructure Fund

In accordance with the requirements of section 307C of *the Corporations Act 2001*, as lead auditor for the review of Arrow Primary Infrastructure Fund for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance
Melbourne, 19 February 2021

Arrow Primary Infrastructure Fund
Statement of profit or loss and other
comprehensive income
For the half-year ended 31 December 2020

Statement of profit or loss and other comprehensive income

		31 December 2020	31 December 2019
	Notes	\$	\$
Revenue			
Property rental	2	12,377,182	10,389,673
Interest revenue		60,538	26,815
Revaluation of investment properties	3	3,624,348	5,763,257
Revaluation of agricultural assets	5	36,869	-
Profit on fair value of derivative financial instruments		1,047,122	168,360
Total revenue and other income		17,146,059	16,348,105
Expenses			
Direct property expenses		(554,803)	(608,715)
Responsible Entity's management fee		(1,530,797)	(1,369,487)
Custodian fee		(23,712)	(23,787)
Depreciation of agricultural assets	5	(1,352,483)	(1,315,614)
Depreciation of plant and equipment		(214,947)	(93,255)
Other expenses		(145,513)	(179,524)
Impairment of agricultural assets		-	(158,733)
Loss of fair value revaluation of agricultural assets		-	(850,940)
Loss on fair value of share investments		(525,176)	-
Finance costs		(2,221,668)	(2,156,676)
Total expenses		(6,569,099)	(6,756,731)
Net profit for the half-year		10,576,960	9,591,374
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Revaluation of agricultural assets	5	1,315,614	(411,914)
Total comprehensive income for the half-year		11,892,574	9,179,460
Total comprehensive income for the half-year is attributable to:			
Unitholders of Arrow Primary Infrastructure Fund		11,892,574	9,179,460

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Arrow Primary Infrastructure Fund
Statement of financial position
As at 31 December 2020

Statement of financial position

		31 December 2020	30 June 2020
	Notes	\$	\$
Current assets			
Cash and cash equivalents		3,114,386	7,817,480
Trade and other receivables		614,691	1,202,538
Prepayments		-	150,191
Finance Lease Receivable		39,754	40,460
Total current assets		3,768,831	9,210,669
Non-current assets			
Investment properties	3	248,240,892	237,705,166
Intangible assets	4	9,377,586	9,377,586
Agricultural assets	5	44,967,341	43,870,855
Plant and equipment		2,252,312	1,606,129
Share Investments		1,050,353	1,575,529
Finance Lease Receivable		516,973	536,626
Total non-current assets		306,405,357	294,671,891
Total assets		310,174,188	303,882,560
Current liabilities			
Trade and other payables		1,434,702	4,016,919
Distributions payable		3,454,628	3,406,946
Finance Lease Liability		39,754	40,460
Total current liabilities		4,929,084	7,464,325
Non-current liabilities			
Derivative financial instruments		10,026,667	11,073,789
Interest-bearing liabilities	6	135,100,910	132,363,488
Finance Lease Liability		516,973	536,626
Total non-current liabilities		145,644,550	143,973,903
Total liabilities		150,573,634	151,438,228
Net assets		159,600,654	152,444,332
Equity			
Contributed equity	7	130,105,725	127,957,520
Asset revaluation reserve		24,894,109	23,578,495
Retained earnings		4,600,820	908,317
Total equity		159,600,654	152,444,332

The above statement of financial position should be read in conjunction with the accompanying notes.

Arrow Primary Infrastructure Fund
Statement of changes in equity
For the half-year ended 31 December 2020

Statement of changes in equity

	Note	Contributed equity \$	Retained earnings \$	Revaluation reserve \$	Total equity \$
Balance at 1 July 2019		123,976,050	6,599,026	19,444,451	150,019,527
Profit for the period		-	9,591,374	-	9,591,374
Other comprehensive income for the period		-	-	(411,914)	(411,914)
Total comprehensive income for the period		-	9,591,374	(411,914)	9,179,460
Transactions with owners in their capacity as owners:					
Issue of new units (net of capital raising costs)		2,071,412	-	-	2,071,412
Redemption of units		(170,446)	-	-	(170,446)
Distributions provided for or paid	7	-	(6,704,830)	-	(6,704,830)
Balance at 31 December 2019		125,877,016	9,485,570	19,032,537	154,395,123

	Contributed equity \$	Retained earnings \$	Revaluation reserve \$	Total equity \$
Balance at 1 July 2020	127,957,521	908,317	23,578,495	152,444,333
Profit for the period	-	10,576,960	-	10,576,960
Other comprehensive income for the period	-	-	1,315,614	1,315,614
Total comprehensive income for the period	-	10,576,960	1,315,614	11,892,574
Transactions with owners in their capacity as owners:				
Issue of new units (net of capital raising costs)	2,148,204	-	-	2,148,204
Redemption of units	-	-	-	-
Distributions provided for or paid	7	(6,884,457)	-	(6,884,457)
Balance at 31 December 2020	130,105,725	4,600,820	24,894,109	159,600,654

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Arrow Primary Infrastructure Fund
Statement of cash flows
For the half-year ended 31 December 2020

Statement of cash flows

	Notes	31 December 2020	31 December 2019
		\$	\$
Cash flows from operating activities			
Property rental receipts		9,439,818	14,037,551
Payments to suppliers		(2,160,068)	(3,685,473)
Interest received		90,894	18,084
Finance costs paid		(2,176,737)	(2,108,130)
Net cash inflow from operating activities	9	5,193,907	8,262,032
Cash flows from investing activities			
Payments for investment properties		(5,959,280)	(28,722,297)
Payments for agricultural assets		(1,096,486)	(919,221)
Payments for plant and equipment		(861,130)	(551,622)
Net cash outflow from investing activities		(7,916,896)	(30,193,140)
Cash flows from financing activities			
Net proceeds from equity raising/redemptions		2,148,205	1,900,966
Draw down of borrowings		2,708,465	26,410,916
Distributions paid to unitholders		(6,836,775)	(6,665,962)
Net cash outflow from financing activities		(1,980,105)	21,645,920
Net increase/(decrease) in cash and cash equivalents		(4,703,094)	285,188
Cash and cash equivalents at the beginning of the half-year		7,817,480	1,929,154
Cash and cash equivalents at the end of the half-year		3,114,386	1,643,966

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

(a) Basis of preparation of half-year financial report

This condensed interim financial report for the half year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Arrow Primary Infrastructure Fund (the Fund) during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

All policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(b) New accounting standards and interpretations

Accounting standards issued but not yet effective and not been adopted early

The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Accounting standards adopted at 1 July 2020

There are several minor amendments and interpretations which apply for the first time from July 2020, but do not have an impact on the interim financial statements of the Fund.

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

(c) Accounting Estimates and Judgements

Valuations, undertaken by third parties, include significant judgement as a result of COVID-19. At the date of the valuation there was material market uncertainty, noted within the valuation reports received, requiring a higher degree of caution to be attached to the valuation.

(d) Agricultural assets

Agricultural assets are measured at fair value less point of sale costs and subsequent depreciation.

Any revaluation surplus arising upon appraisal of the agricultural assets is recognised in other comprehensive income and credited to the asset revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of the agricultural assets are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

The investment properties which include agricultural assets are subject to long term leases. These properties are carried at independent valuations. The capitalisation of future cash flows method and the direct comparison summation method of valuation are used to determine the fair value less estimated point of sale costs of the agricultural assets based on the nature of tenants long term leases.

The valuation of investment properties which include agricultural assets and water licences is assessed on an aggregate basis and the independent valuer may or may not separate the valuation into components which are required to be separately disclosed in the financial statements in order to meet Australian Accounting Standards. The carrying amount of each component of property is determined by independent valuers.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of the asset. The agricultural asset is depreciated over useful lives of 15 to 30 years.

2 Revenue

	31 December 2020	30 December 2019
	\$	\$
Revenue includes:		
(a) Property rental recognised over time from:		
Base property rent	11,093,864	11,142,383
Compensation for termination of Colignan Farm lease ⁽¹⁾	-	824,750
Rent – expenses recoverable	331,220	316,851
Other rental income (recognised on a straight-line basis) ⁽²⁾	952,098	(1,894,311)
Total rental income	12,377,182	10,389,673

⁽¹⁾ Effective 11 December 2019 the Colignan Farm lease with Murray River Organics Pty Ltd (MRO) was cancelled. In consideration for terminating the lease, the Fund received the first tranche of compensation totalling \$824,750 in December 2019.

⁽²⁾ Rental income from operating leases is recognised as income on a straight-line basis over the lease term. Where a lease has fixed annual increases, the total rent receivable over the operating lease is recognised as revenue on a straight-line basis over the lease term. This results in more income being recognised early in the lease term and less late in the lease term compared to the lease conditions. Due to the termination of the Colignan Farm lease in the December 2019HY, an adjustment of (\$1,945,753) was required to rental income to reverse the previous straight-line adjustments since the beginning of the lease.

3 Investment properties

All investment property was independently valued at December 2020, excluding Boomerba Park. Boomerba Park is held at an independent valuation at December 2018 plus capital expenditure for the period 1 January 2019 to 31 December 2020. This is deemed to be the fair value of the property.

	31 December 2020	30 June 2020
At fair value	\$	\$
Opening balance	237,705,166	202,620,069
Acquisition costs and capital expenditure on properties	5,959,281	35,881,329
Revaluations	3,624,347	1,009,536
Changes in fair value for straight-lining of rent adjustment	952,098	(1,805,768)
Closing balance	248,240,892	237,705,166

4 Intangible assets

The Fund owns 5,677 megalitres (June 2020: 5,677 megalitres) of permanent water licences, which form an integral part of the properties under long-term leases. Water licences have an indefinite useful life as a result of their legal form and are therefore not amortised.

Movement in the carrying amounts for intangible assets for the half-year/year:

	31 December 2020	30 June 2020
	\$	\$
Opening net book amount	9,377,586	9,377,586
Acquisitions	-	-
Reversal of Impairment	-	-
Closing balance	9,377,586	9,377,586

5 Agricultural assets

Trees and vines are an integral part of the agricultural assets that are leased to tenants under long-term leases.

The Fund owns the following agricultural assets as at 31 December 2020:

- (a) 135.28 ha of planted mango trees;
- (b) 608.74 ha of planted almond trees;
- (c) 73.92 ha of planted citrus trees;
- (d) 625 ha of planted vines;
- (e) 640 ha of planted macadamia trees; and
- (f) 55,000 macadamia trees being propagated in a third party nursery.

Agricultural assets are independently valued at December 2020, excluding trees at Boombera Park that are held at cost which is deemed to be at the fair value.

Movement in the carrying amounts for agricultural assets for the half-year/year:

	31 December 2020 \$	30 June 2020 \$
Gross carrying amount		
Opening balance	56,203,875	51,341,251
Acquisition	1,096,487	1,893,289
Impairment of assets	-	(1,164,709)
Revaluations ⁽¹⁾	1,352,483	4,134,044
Closing balance	58,652,843	56,203,875
Depreciation and impairment		
Opening balance	12,333,019	9,683,357
Depreciation	1,352,483	2,649,662
Reversal of accumulated depreciation	-	-
Closing balance	13,685,502	12,333,019
Carrying amount	44,967,341	43,870,855

- (1) Revaluations increases of agricultural assets are typically recognised in comprehensive income, except where they may be shown in the profit and loss to offset a previously recognised revaluation decrease in the profit and loss. During the 6 months to December 2020, \$36,869 of revaluation increases have been recognised in the profit and loss, while \$1,315,614 (June 2020: \$4,134,044) is recognised in comprehensive income.

6 Interest bearing liabilities

	31 December 2020	30 June 2020
	\$	\$
Non-current		
Secured:		
Plant & equipment loans ⁽ⁱ⁾	608,787	392,323
Cash advance loan facility ⁽ⁱⁱ⁾	134,500,000	132,000,000
Unamortised borrowing costs	(7,877)	(28,835)
Total non-current interest bearing liabilities	135,100,910	132,363,488

- (i) Effective 8 December 2020 a new \$2.0 million plant & equipment loan facility with CBA was established.
(ii) Effective 8 December 2020 the Fund's cash advance Facility limit with CBA was increased by \$8.0 million to \$144.0 million and the maturity date was extended to 4 December 2025.

7 Contributed equity

Movement Year ended 30 June 2020

	Number of units	\$
Opening Balance	166,320,025	123,976,050
Issue of new Ordinary units – Dividend Reinvestment Plan	4,612,628	4,164,592
Redemption of units	(214,010)	(183,121)
Closing Balance	170,718,643	127,957,521

Movement for the half year ended 31 December 2020

Opening Balance	170,718,643	127,957,521
Issue of new Ordinary units – Dividend Reinvestment Plan	2,411,411	2,148,204
Redemption of units	-	-
Closing Balance	173,130,054	130,105,725

As stipulated in the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

8 Distributions

Distributions paid or payable to unitholders

	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	\$	\$	cpu	cpu
September quarter	3,429,829	3,342,039	2.000	2.000
December quarter	3,454,628	3,362,791	2.000	2.000
Total distributions to unitholders for the half-year	6,884,457	6,704,830	4.000	4.000

9 Reconciliation of profit to net cash inflow from operating activities

	31 December 2020 \$	31 December 2019 \$
Profit for the period	10,576,960	9,591,373
Straight lining adjustment on rental income	(952,098)	1,894,311
Amortisation of borrowing costs	28,957	2,857
Net (Gain)/Loss in fair value of investment properties	(3,624,348)	(4,912,317)
Depreciation of Agricultural Assets	1,352,483	1,315,614
Depreciation of Plant and Equipment	214,947	93,255
Net gain on fair value of derivative financial instruments	(1,047,122)	(168,360)
Net loss on fair value of share investments	525,176	-
(Revaluation)/Impairment of agricultural assets	(36,869)	158,733
Changes in operating assets and liabilities:		
Decrease/(Increase) in receivables	738,038	(91,050)
Increase/(decrease) in payables	(2,582,217)	377,616
Net cash inflow from operating activities	5,193,907	8,262,032

10 Contingent assets and liabilities and capital commitments

Contingent assets

There were no outstanding contingent assets or liabilities as at 31 December 2020 (Dec 2019: Contingent assets \$2.076 million, contingent liabilities \$0.0).

Capital commitments

Due within next 6 months	2,600,000	2,391,736
Due >6 months and < 4 years	4,163,097	462,000

11 Events occurring after the reporting period

Other than as recorded in the Director's Report, no significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the statement of financial position as at 31 December 2020 or on the results and cash flows of the Fund for the half-year ended on that date.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2020 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Andrew Ashbolt
Director

Melbourne
19 February 2021

Independent Auditor Report

To the Unitholders of Arrow Primary Infrastructure Fund

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half year financial report of Arrow Primary Infrastructure Fund (the Fund), which comprises the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Arrow Primary Infrastructure Fund does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Fund's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of Matter – Valuation uncertainty

We draw attention to Note 1(c) in the financial report, which indicates that the property valuation reports performed by the external valuers on each of the investment properties contain market uncertainty clauses. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 12 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 19 February 2021