



Arrow Primary Infrastructure Fund

ARSN 110813851

**Interim report - for the half-year ended
31 December 2017**



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Interim report - 31 December 2017

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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 2017.

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 fund with investment in geographically diverse property and infrastructure assets used in the primary production industry.

The Fund owns 18 properties which are leased to leading Australian primary production companies involved in the poultry, almond, dried fruit, mango and citrus industries. The average weighted lease expiry at 31 December 2017 was 13.7 years.

The Fund also owns Boombera Park, a 1,415 hectare property at Lawrence, in the northern rivers region of New South Wales. Arrow is currently developing this property into a large-scale macadamia orchard to be leased on a long-term basis to a suitable lessee.

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 2017	31 December 2016
	\$	\$
Net profit for the half-year	5,613,213	5,973,447
Normalised earnings ⁽¹⁾	6,680,941	6,261,277
Normalised earnings per unit (cents per unit) ⁽¹⁾	4.11	4.51
Distributions paid and payable	6,505,486	5,556,372
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.

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

- Total property rental income was \$10.223 million, up by \$0.927 million compared with the previous corresponding period. This was due to rental increases following capital expenditure together with normal annual increases in rent. Rental income was comprised of base property rent (up by \$0.854 million), property expenses recoverable from tenants (up by \$0.096 million) and adjustment for recognising rents on a straight line basis (down up by \$0.023 million).
- Finance costs were \$0.203 million higher than the previous corresponding period due to higher costs under the new facility. The average interest rate paid on borrowed funds for the 6 months to 31 December 2017 was 3.84% per annum compared with 3.21% per annum for the previous corresponding period.
- The administrative cost of running the Fund increased by \$0.193 million, however the annualised Indirect Cost Ratio (ICR) reduced to 1.79% compared to 1.96% for the previous corresponding period.
- The "Marked to Market" movement in the Fund's interest rate derivatives resulted in a loss of \$0.020 million compared to a gain of \$0.463 million for the previous corresponding period. Interest rate derivatives have been taken out to August 2019 to reduce the Fund's exposure to future interest rate fluctuations.
- Total revaluations of assets were +\$1.184 million compared to +\$1.379 m for the previous corresponding period.

Responsible Entity's report (continued)

Review and results of operations (continued)

2. Value of Fund's Assets:

	31 December 2017 \$	31 December 2016 \$
Total assets	218,416,258	207,437,798
Net assets attributable to unitholders	132,022,714	131,323,655
Net asset value ('NAV') per unit	0.8143	0.8113

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 2017).

The loan to valuation ratio ("LVR") was 39.0% at 31 December 2017 compared to 35.1% at 30 June 2017 and 44.1% at 31 December 2016.

3. Contributed Equity

There was no equity raising conducted by the Responsible Entity during the half-year to 31 December 2017.

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 2017 were \$6,505,486 (December 2016: \$5,556,372)

During the half-year to December 2017, a total of 1,574,164 new units were issued under the DRP at a value of \$1,277,285.

The DRP represents an opportunity for all unitholders to increase their holding in the Fund and it is pleasing to note that the participation rate was 24.3% for the December 2017 quarterly distribution, compared to 19.5% for December 2016.

The Responsible Entity has continued to run a quarterly withdrawal facility to provide liquidity to existing unitholders. A total of 1,323,146 units in the Fund were redeemed during the half-year to 31 December 2017 with a total payout of \$1.020 million.

As at 31 December 2017 there were 513 unitholders in the Fund.

4. Asset Acquisitions

No properties were acquired or disposed of during the period, however, the Fund spent a total of \$6.181 million on planned Capex at the following Fund's properties: Stewarton Breeder Farm, Colignan Organic Dried Fruit Farm and Boombera Park.

5. Debt facilities

At 31 December 2017 the Fund had total borrowing facilities of \$100.00 million of which \$82.70 million was drawn down.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Fund that occurred during the period ended 31 December 2017.

Matters subsequent to the end of the reporting period

On 21 December 2017, the Responsible Entity entered into a transaction to acquire (and lease back) glasshouse and aquaculture assets owned by Green Camel Pty Ltd on land owned by the University of Sydney at Cobbitty, New South Wales. Green Camel operate an integrated aquaculture-horticulture system that produces both fish and vegetables in a symbiotic manner with zero pesticides. They are expanding their 0.5 hectare organic glasshouse & aquaculture operation with the construction of a further 2.0 hectares of new glasshouse, fish tanks and associated infrastructure. A 20 year lease of the 13 hectare Cobbitty property with 2 x 10 year options (effective 40 years) has been signed with the University and the Fund will acquire Green Camel's existing and new glasshouse/aquaculture assets at a price of \$10.0 million. These assets will be leased back to Green Camel over the same 40 year period. The transaction is expected to complete in August 2018 following completion of the new 2.0 hectare organic glasshouse and associated infrastructure and will be accretive to the Fund's earnings and WALE.

Responsible Entity's report (continued)

Matters subsequent to the end of the reporting period (continued)

No other matter or circumstance has arisen since 31 December 2017 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
1 March 2018

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Docklands Victoria 3008

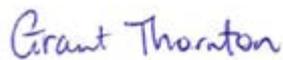
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Auditor's Independence Declaration to the Directors of Arrow Funds Management Limited, the Responsible Entity for Arrow Primary Infrastructure Fund

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 2017, 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



M J Climpson
Partner – Audit & Assurance

Melbourne, 1 March 2018

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Arrow Primary Infrastructure Fund
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

Statement of profit or loss and other comprehensive income

	31 December 2017	31 December 2016
	\$	\$
Revenue		
Property rental	10,222,991	9,296,282
Interest revenue	11,665	10,820
Agistment Income	30,137	
Net gain on fair value of derivative financial instruments	-	462,607
Revaluation of investment properties	-	126,037
Total revenue and other income	10,264,793	9,895,746
Expenses		
Direct property expenses	(486,462)	(342,656)
Responsible Entity's management fee	(1,057,834)	(899,289)
Custodian fee	(22,927)	(22,500)
Depreciation of agricultural assets	(1,334,396)	(1,334,396)
Depreciation of plant and equipment	(18,092)	-
Other expenses	(111,951)	(77,458)
Loss of fair value revaluation of Investment Property	(150,393)	-
Net loss on fair value of derivative financial instruments	(20,299)	-
Finance costs	(1,449,226)	(1,246,000)
Total expenses	(4,651,580)	(3,922,299)
Net profit for the half-year	5,613,213	5,973,447
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit and loss</i>		
Revaluation of Agricultural Assets	1,334,396	1,253,313
Total comprehensive income for the half-year	6,947,609	7,226,760
Total comprehensive income for the half-year is attributable to:		
Unitholders of Arrow Primary Infrastructure Fund	6,947,609	7,226,760

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 2017

Statement of financial position

	Notes	31 December 2017 \$	31 December 2016 \$
Current assets			
Cash and cash equivalents		5,582,334	1,578,529
Trade and other receivables		217,208	50,759
Prepayments		57,351	
Total current assets		5,856,893	1,629,288
Non-current assets			
Derivative Financial Instruments		112,018	132,316
Investment properties	2	164,057,167	159,081,179
Intangible assets	3	9,377,586	9,377,586
Agricultural assets	4	38,743,408	37,217,429
Plant and Equipment		269,186	-
Total non-current assets		212,559,365	205,808,510
Total assets		218,416,258	207,437,798
Current liabilities			
Trade and other payables		427,323	987,910
Distributions payable		3,257,978	3,061,333
Total current liabilities		3,685,301	4,049,243
Non-current liabilities			
Interest-bearing liabilities	5	82,708,243	72,064,900
Total non-current liabilities		82,708,243	72,064,900
Total liabilities		86,393,544	76,114,143
Net assets		132,022,714	131,323,655
Equity			
Contributed equity	6	120,313,162	120,056,226
Asset revaluation reserve		14,848,730	13,514,334
Accumulated losses		(3,139,178)	(2,246,905)
Total equity		132,022,714	131,323,655

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 2017

Statement of changes in equity

	Note	Contributed Equity \$	Accumulated losses \$	Revaluation Reserve \$	Total equity \$
Balance at 1 July 2016		103,237,234	(10,170,823)	5,896,965	98,963,376
Profit for the period		-	5,973,447	-	5,973,447
Other comprehensive income for the period		-	-	1,253,313	1,253,313
Total comprehensive income for the period		-	5,973,447	1,253,313	7,226,760
Transactions with owners in their capacity as owners:					
Issue of new units (net of capital raising costs)		512,504	-	-	512,504
Redemption of units		(421,542)	-	-	(421,542)
Distributions provided for or paid	7	-	(5,556,372)	-	(5,556,372)
Balance at 31 December 2016		103,328,196	(9,753,748)	7,150,278	100,724,726

	Contributed Equity \$	Accumulated losses \$	Revaluation Reserve \$	Total equity \$
Balance at 1 July 2017	120,056,226	(2,246,905)	13,514,334	131,323,655
Profit for the period	-	5,613,213	-	5,613,213
Other comprehensive income for the period	-	-	1,334,396	1,334,396
Total comprehensive income for the period	-	5,613,213	1,334,396	6,947,609
Transactions with owners in their capacity as owners:				
Issue of new units (net of capital raising costs)	1,276,925	-	-	1,276,925
Redemption of units	(1,019,989)	-	-	(1,019,989)
Distributions provided for or paid	-	(6,505,486)	-	(6,505,486)
Balance at 31 December 2017	120,313,162	(3,139,178)	14,848,730	132,022,714

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 2017

Statement of cash flows

		31 December 2017	31 December 2016
Notes		\$	\$
Cash flows from operating activities			
Property rental receipts		10,563,852	6,711,979
Payments to suppliers		(3,184,410)	(3,224,737)
Interest received		11,291	11,058
Finance costs paid		(1,476,090)	(1,200,785)
Net cash inflow from operating activities	8	5,914,643	2,297,515
Cash flows from investing activities			
Payments for investment properties		(4,655,243)	(10,717,934)
Payments for agricultural assets		(1,525,979)	-
Payments for plant and equipment		(287,278)	-
Net cash outflow from investing activities		(6,468,500)	(10,717,934)
Cash flows from financing activities			
Net proceeds from equity raising/redemptions		256,936	90,962
Draw down of borrowings		10,609,568	10,700,000
Distributions paid to unitholders		(6,308,842)	(5,422,526)
Net cash inflow from financing activities		4,557,662	5,368,436
Net (decrease)/ increase in cash and cash equivalents		4,003,805	(3,051,983)
Cash and cash equivalents at the beginning of the half-year		1,578,529	4,037,370
Cash and cash equivalents at the end of the half-year		5,582,334	985,387

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 2017 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 2017 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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods. The Fund has not early adopted these standards/interpretations.

The Fund's assessment of the impact of relevant new standards and interpretations is set out below:

Standard/ Interpretation	Impact	Effective annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments (December 2014)	<p>AASB 9 <i>Financial Instruments</i> addresses the classification, measurement and derecognition of financial instruments.</p> <p>The standard allows an irrevocable election on the initial recognition to present gains or losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss).</p> <p>The Fund has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Fund's financial statements as a result of applying the revised rules.</p>	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers	<p>AASB15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:</p> <ul style="list-style-type: none"> • establishes a new revenue recognition model; • changes the basis for deciding whether revenue is to be recognised over time or at a point in time; • provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing); and • expands and improves disclosures about revenue. <p>The Fund has not yet decided when to adopt AASB 15. Management does not expect this will have a significant impact on the Fund's financial statements as a result of adopting this standard.</p>	1 January 2018	30 June 2019

1 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

Standard/ Interpretation	Impact	Effective annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 Leases	<p>AASB 16 replaces AASB 117 Leases and some lease-related Interpretations. The standard requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases. It also provides new guidance on the application of the definition of lease and on sale and lease back accounting. The standard largely retains the existing lessor accounting requirements in AASB 117 with new and different disclosure requirements about leases.</p> <p>The Fund has not yet decided when to adopt AASB16. However, based on the Fund's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements of the Fund as a lessor.</p>	1 January 2019	30 June 2020

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) 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 20 to 30 years.

Arrow Primary Infrastructure Fund
Notes to the financial statements
31 December 2017
(continued)

2 Investment properties

	31 December 2017	31 December 2016
	\$	\$
At fair value		
Opening balance	159,081,179	132,758,110
Acquisition of new properties (including acquisition costs)	4,655,243	17,218,640
Revaluations	(150,393)	8,114,279
Changes in fair value for straight-lining of rent adjustment	471,138	990,150
Closing balance	164,057,167	159,081,179

3 Intangible assets

The Fund owns 5,677 megalitres (June 2017: 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 2017	31 December 2016
	\$	\$
Opening net book amount	9,377,586	9,377,586
Acquisitions	-	-
Reversal of Impairment	-	-
Closing balance	9,377,586	9,377,586

4 Agricultural assets

Trees 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 2017:

- (a) 135.28 ha of planted mango trees;
- (b) 608.74 ha of planted almond trees;
- (c) 80.94 ha of planted citrus trees;
- (d) 518.53 ha of planted vines

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

Arrow Primary Infrastructure Fund
Notes to the financial statements
31 December 2017
(continued)

4 Agricultural assets (continued)

	31 December 2017	31 December 2016
	\$	\$
Gross carrying amount		
Opening balance	41,871,510	32,387,438
Acquisition	1,525,979	1,866,703
Revaluations	1,334,396	7,617,369
Closing balance	<u>44,731,885</u>	<u>41,871,510</u>
Depreciation and impairment		
Opening balance	4,654,081	1,985,289
Depreciation	1,334,396	2,668,792
Closing balance	<u>5,988,477</u>	<u>4,654,081</u>
Carrying amount	<u>38,743,408</u>	<u>37,217,429</u>

5 Interest bearing liabilities

	31 December 2017	31 December 2016
	\$	\$
Non-current		
Secured:		
Tractor Loan	109,568	-
Cash Advance Loan Facility ⁽ⁱ⁾	82,700,000	72,200,000
Unamortised borrowing costs	(101,325)	(135,100)
Total non-current interest bearing liabilities	<u>82,708,243</u>	<u>72,064,900</u>

(i) As at 31 December 2017 the Facility had a limit of \$100,000,000 and a maturity date of 31 July 2019.

6 Contributed equity

Movement Year ended 30 June 2017	Number of units	\$
Opening Balance	138,813,912	103,237,234
Issue of new Ordinary units under April 2017 PDS	21,968,215	16,000,000
Issue of new Ordinary units – Dividend Reinvestment Plan	2,188,539	1,581,082
Redemption of units	(1,099,364)	(750,828)
Capitalised costs associated with the PDS		(11,262)
	<hr/>	
Closing Balance	161,871,302	120,056,226

The issue of new units stated above are recognised net of contribution fees of \$410,356.

Movement for the half year ended 31 December 2017

Opening Balance	161,871,302	120,056,226
Issue of new Ordinary units – Dividend Reinvestment Plan	1,574,164	1,277,285
Redemption of units	(1,323,146)	(1,019,989)
Capitalised costs associated with the Product Disclosure Statement (“PDS”)		(360)
	<hr/>	
Closing Balance	162,122,320	120,313,162

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.

7 Distributions

Distributions paid or payable to unitholders

	31 December 2017 \$	31 December 2016 \$	31 December 2017 cpu	31 December 2016 cpu
September quarter	3,247,508	2,776,279	2.000	2.000
December quarter	3,257,978	2,780,093	2.000	2.000
	<hr/>			
Total distributions to unitholders for the half-year	6,505,486	5,556,372	4.000	4.000

8 Reconciliation of profit to net cash inflow from operating activities

	31 December 2017	31 December 2016
	\$	\$
Profit for the period	5,613,213	5,973,447
Straight lining adjustment on rental income	(471,138)	(495,076)
Amortisation of borrowing costs	33,775	37,154
Net (Gain)/Loss in fair value of investment properties	150,393	(126,037)
Depreciation of Agricultural Assets	1,334,396	1,334,396
Depreciation of Plant and Equipment	18,092	-
Net (Gain)/Loss on derivative financial instruments	20,299	(462,608)
Changes in operating assets and liabilities:		
Decrease/(Increase) in receivables	(223,800)	(381,852)
(Decrease)/Increase in payables	(560,587)	(3,581,909)
Net cash inflow from operating activities	5,914,643	2,297,515

9. Contingent assets and liabilities and commitments

There are no outstanding contingent assets or contingent liabilities as at 31 December 2017 (2016: Nil).

As at 31 December 2017 there were commitments for capital expenditure on the Fund's properties as follows:

Capital commitments due within next 6 months	8,237,190	5,312,000
Capital commitments due >6 months and < 4 years	10,953,050	11,648,500

10 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 2017 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 2017 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
1 March 2018

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Independent Auditor's Review Report To the Unitholders of Arrow Primary Infrastructure Fund

Report on the review of the half-year financial report

We have reviewed the accompanying half-year financial report of Arrow Primary Infrastructure Fund ("Fund"), which comprises the financial statements being the statement of financial position as at 31 December 2017, 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, notes comprising accounting policies, other explanatory information 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 the Fund is not in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Fund's financial position as at 31 December 2017 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*.

Responsibilities of the Directors' for the half-year Financial Report

The Directors of the Responsible Entity of Arrow Primary Infrastructure Fund 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.

In preparing the half-year financial report, the Directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

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 31 December 2017 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*. As the auditor of Arrow Primary Infrastructure Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

We are independent of the Fund in accordance with the 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* (the Code) that are relevant to our review of the half-year financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M J Climpson
Partner – Audit & Assurance