Arrow Primary Infrastructure Fund

ARSN 110813851

Interim report - for the half-year ended 31 December 2016

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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 2016.

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.

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 2016	Restated [(2)] 31 December 2015
	$	$
Net profit for the half-year	**5,973,447**	**5,257,370**
Normalised earnings [(1)]	**6,261,277**	5,083,155
Normalised earnings per unit (cents per unit) [(1)]	**4.51**	4.35
Distributions paid and payable	**5,556,372**	**4,387,031**
Distributions (cents per unit)	**4.00**	**3.75**

(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.

(2) The comparative numbers have been restated to depreciate bearer assets (trees and vines), as now required under Accounting Standards Amendment AASB 2014-6 – refer below and Note 1 of the financial statements.

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

- Total property rental income was $9.296 million, up by $1.671 million compared with the previous corresponding period, due to the two additional properties acquired in the half-year to 31 December 2015 together with normal annual increases in rent. Rental income was comprised of base property rent (up by $1.309 million), property expenses recoverable from tenants (down by $0.047 million) and adjustment for recognising rents on a straight line basis (up by $0.409 million).
- Despite higher levels of borrowings than last year finance costs were $0.042 million less, due lower interest rates. The average interest rate paid on borrowed funds for the 6 months to 31 December 2016 was 3.21% per annum compared with 3.80% per annum for the previous corresponding period.
- The administrative cost of running the Fund was also reduced, with the annualised Indirect Cost Ratio (ICR) reducing to 1.96% compared to 2.09% for the previous corresponding period.
- The "Marked to Market" asset of the Fund's interest rate derivatives resulted in a gain of $0.463 million compared to a loss of $0.496 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 $1.379 million compared to $4.408m for the previous corresponding period. Bearer plant agricultural assets (trees and vines) are now required to be depreciated under Accounting Standards Amendment AASB 2014-6, resulting in a need to restate figures for the comparative period. As agricultural assets are carried at market value, revaluations for the period have effectively been grossed up by the depreciation amount of (bearer plant) agricultural assets. Depreciation of (bearer plant) agricultural assets (trees and vines) has been included as an expense of $1.335 million for the half year and compares with the restated comparative figure of $0.657 million.

Review and results of operations (continued)

2. Value of Fund's Assets:	**31 December 2016 $**	30 June 2016 $
Total assets	**185,583,412**	176,683,715
Net assets attributable to unitholders	**100,724,726**	98,963,376
Net asset value ('NAV') per unit	**0.7251**	0.7129

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 2016).

The loan to valuation ratio ("LVR") was 44.1% at 31 December 2016 compared to 40.8% at 30 June 2016 and 43.2% at 31 December 2015.

3. Contributed Equity

There was no equity raising conducted by the Responsible Entity during the half-year to 31 December 2016.

Distributions for the Fund are paid from cash available from operating activities; i.e. rent and interest received less the expenses of the Fund. The cash flow for the half-year was distorted by rent pre-paid in the prior period as well as GST. Distributions provided for or paid for the half-year compared to the cash generated from operations are shown below:

	31 December 2016 $	31 December 2015 $
Net cash inflow from operating activities	**2,297,515**	2,571,192
Add back cash timing items:		
Decrease in pre-paid rent	**2,699,407**	2,058,812
Increase in GST receivable	**480,476**	-
Decrease in GST payable	**613,893**	404,247
Cash from operations available for distribution	**6,091,291**	5,034,251
Distributions provided for or paid	**5,556,372**	4,387,031

A new Distribution Reinvestment Plan (DRP) for the Fund was announced at the end of the previous financial year and commenced operation for the distribution for the quarter ended 30 September 2016. A total of 718,094 new units were issued under the DRP on 31 October 2016 at the 30 September 2016 Net Asset Value of $0.7137.

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 19.5% for all units in the quarterly distribution for December 2016.

The Responsible Entity continued to run a quarterly withdrawal facility to provide liquidity to existing unitholders. A total of 622,046 units in the Fund were redeemed during the half-year to 31 December 2016 with a total payout of $0.422 million.

On 23 December 2016, the Responsible Entity announced that it intends to undertake a capital raising in March/April 2017 to fund ongoing capital development expenditure (Capex) and the purchase of additional properties.

4. Asset Acquisitions

No properties were acquired or disposed of during the period, however, the Fund spent a total of $10.718 million on planned Capex at the following Fund's properties: Bidgee Breeder Farms, Boronia Breeder Farms, Kelso Park Free Range Egg Farm and Colignan Organic Dried Fruit Farm. All Capex spent has resulted in increased future rental income.

5. Debt facilities

At 31 December 2016 the Fund had total borrowing facilities of $84.200 million of which $81.100 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 2016.

Matters subsequent to the end of the reporting period

No matter or circumstance has arisen since 31 December 2016 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
22 February 2017

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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 2016, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Michael Climpson
Partner

Melbourne, 22 February 2017

Statement of profit or loss and other comprehensive income

	31 December 2016	Restated 31 December 2015
	$	$
Revenue		
Property rental	**9,296,282**	7,625,743
Interest revenue	**10,820**	17,119
Net gain on fair value of derivative financial instruments	**462,607**	-
Revaluation of investment properties	**126,037**	299,651
Reversal of Impairment – water rights	-	978,194
Total revenue and other income	**9,895,746**	8,920,707
Expenses		
Direct property expenses	**(342,656)**	(376,051)
Responsible Entity's management fee	**(899,289)**	(742,189)
Custodian fee	**(22,500)**	(19,896)
Depreciation of agricultural assets	**(1,334,396)**	(656,785)
Other expenses	**(77,458)**	(84,256)
Net loss on fair value of derivative financial instruments	-	(495,686)
Finance costs	**(1,246,000)**	(1,288,474)
Total expenses	**(3,922,299)**	(3,663,337)
Net profit for the half-year	**5,973,447**	5,257,370
Other comprehensive income		
Items that will not be reclassified subsequently to profit and loss		
Revaluation of Agricultural Assets	**1,253,313**	4,107,851
Total comprehensive income for the half-year	**7,226,760**	9,365,221
Total comprehensive income for the half-year is attributable to:		
Unitholders of Arrow Primary Infrastructure Fund	**7,226,760**	9,365,221

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

Statement of financial position

	Notes	31 December 2016 $	Restated 30 June 2016 $
Current assets			
Cash and cash equivalents		**985,387**	4,037,370
Trade and other receivables		**490,352**	108,500
Total current assets		**1,475,739**	4,145,870
Non-current assets			
Derivative Financial Instruments		**311,864**	-
Investment properties	2	**142,829,343**	132,758,110
Intangible assets	3	**9,377,586**	9,377,586
Agricultural assets	4	**31,588,880**	30,402,149
Total non-current assets		**184,107,673**	172,537,845
Total assets		**185,583,412**	176,683,715
Current liabilities			
Trade and other payables		**1,021,941**	4,603,850
Distributions payable		**2,780,092**	2,646,246
Total current liabilities		**3,802,033**	7,250,096
Non-current liabilities			
Derivative financial instruments		-	150,744
Interest-bearing liabilities	5	**81,056,653**	70,319,499
Total non-current liabilities		**81,056,653**	70,470,243
Total liabilities		**84,858,686**	77,720,339
Net assets		**100,724,726**	98,963,376
Equity			
Contributed equity	6	**103,328,196**	103,237,234
Asset revaluation reserve		**7,150,278**	5,896,965
Accumulated losses		**(9,753,748)**	(10,170,823)
Total equity		**100,724,726**	98,963,376

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

Statement of changes in equity

	Note	Contributed Equity $	Accumulated losses $	Revaluation Reserve $	Total equity $
Balance at 1 July 2015		87,564,724	(14,485,039)	-	73,079,685
Reported profit for the period		-	9,365,221	-	9,365,221
Effect of changes in accounting policy (note1b)		-	(4,107,851)	-	(4,107,851)
Restated profit for the period		-	5,257,370	-	5,257,370
Reported other comprehensive income		-	-	-	-
Effect of changes in accounting policy (note1b)		-	-	4,107,851	4,107,851
Restated other comprehensive income for the period		-	-	4,107,851	4,107,851
Total comprehensive income for the period		-	5,257,370	4,107,851	4,107,851
Transactions with owners in their capacity as owners:					
Issue of new units (net of capital raising costs)		17,183,807	-	-	17,183,807
Redemption of units		(506,364)	-	-	(506,364)
Distributions provided for or paid	7	-	(4,387,031)	-	(4,387,031)
Balance at 31 December 2015 (restated)		104,242,167	(13,614,700)	4,107,851	94,735,318

	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**

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

Statement of cash flows

	Notes	**31 December 2016 $**	31 December 2015 $
Cash flows from operating activities			
Property rental receipts		**6,711,979**	5,934,286
Payments to suppliers		**(3,224,737)**	(2,130,902)
Interest received		**11,058**	15,818
Finance costs paid		**(1,200,785)**	(1,248,010)
Net cash inflow from operating activities	8	**2,297,515**	2,571,192
Cash flows from investing activities			
Payments for investment properties		**(10,717,934)**	(22,735,990)
Net cash outflow from investing activities		**(10,717,934)**	(22,735,990)
Cash flows from financing activities			
Net proceeds from equity raising/redemptions		**90,962**	17,102,298
Draw down of borrowings		**10,700,000**	8,000,000
Distributions paid to unitholders		**(5,422,526)**	(4,204,586)
Net cash inflow from financing activities		**5,368,436**	20,897,712
Net (decrease)/ increase in cash and cash equivalents		**(3,051,983)**	732,914
Cash and cash equivalents at the beginning of the half-year		**4,037,370**	4,390,951
Cash and cash equivalents at the end of the half-year		**985,387**	5,123,865

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 2016 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 2016 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 with the exception of the implementation of new accounting standard AASB2014-6.

(b) New accounting standards and interpretations

New and revised standards that are effective for these financial statements

AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*

AASB 2014-6 defines bearer plants and requires bearer plants to be accounted for as property, plant and equipment within the scope of AASB 116 Property, Plant and Equipment instead of AASB 141 Agriculture. AASB 2014-6 is applicable to annual reporting periods beginning on or after 1 January 2016 with prior period comparatives being restated. The adoption of this amendment resulted in the revaluation of agricultural assets recognised in other comprehensive income and credited to asset revaluation reserve. Depreciation expense is recognised on a straight-line basis over the useful lives of the assets. Changes to the accounting policy of agricultural assets as a result of the adoption of this amendment are set out in note 1(c). Impact of the change in this accounting policy resulted in restating each of the affected financial statement line items for prior periods as follows:

Statement of financial position (extract)	**30 June 2016**		
	Previous amount $	**Adjustment $**	**Restated amount $**
Asset revaluation reserve	-	5,896,965	5,896,965
Accumulated losses	(4,273,858)	(5,896,965)	(10,170,823)
Total equity	98,963,376	-	98,963,376

Statement of profit or loss and other comprehensive income (extract)	**31 December 2015**		
	Previous amount $	**Adjustment $**	**Restated amount $**
Revaluation of agricultural assets	3,451,066	(3,451,066)	-
Total revenue and other income	12,371,773	(3,451,066)	8,920,707
Depreciation of agricultural assets	-	(656,785)	(656,785)
Total expenses	(3,006,552)	(656,785)	(3,663,337)
Net profit for the half-year	9,365,221	(4,107,851)	5,527,370
Other comprehensive income	-	4,107,851	4,107,851

1 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

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 2016 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)	AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial instruments. 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). 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.	1 January 2018	30 June 2019
AASB 16 Leases	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. 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.	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.

1 Summary of significant accounting policies (continued)

(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.

2 Investment properties

	31 December 2016	30 June 2016
At fair value	**$**	$
Opening balance	**132,758,110**	112,326,430
Acquisition of new properties (including acquisition costs)	**9,450,120**	15,170,624
Revaluations	**126,037**	3,009,039
Changes in fair value for straight-lining of rent adjustment	**495,076**	2,252,017
Closing balance	**142,829,343**	132,758,110

3 Intangible assets

The Fund owns 5,677 megalitres (June 2016: 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 2016	30 June 2016
	$	$
Opening net book amount	**9,377,586**	8,268,792
Acquisitions	-	130,600
Reversal of Impairment	-	978,194
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 2016:

(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:

	31 December 2016	Restated 30 June 2016
	$	$
Gross carrying amount		
Opening balance	**32,387,438**	17,484,778
Acquisition	**1,267,814**	9,005,695
Revaluations	**1,253,313**	5,896,965
Closing balance	**34,908,565**	32,387,438
Depreciation and impairment		
Opening balance	**1,985,289**	-
Depreciation	**1,334,396**	1,985,289
Closing balance	**3,319,685**	1,985,289
Carrying amount	**31,588,880**	**30,402,149**

5 Interest bearing liabilities

	31 December 2016	30 June 2016
	$	$
Non-current		
Secured:		
Cash Advance Loan Facility (i)	**81,100,000**	70,400,000
Unamortised borrowing costs	**(43,347)**	(80,501)
Total non-current interest bearing liabilities	**81,056,653**	70,319,499

(i) As at 31 December 2016 the Facility had a limit of $84,200,000 and a maturity date of 31 July 2018.

6 Contributed equity

	31 December 2016	30 June 2016
	$	$
Opening balance	**103,237,234**	87,564,724
Issue of new Ordinary units	**512,504** (1)	17,198,162 (2)
Redemption of Ordinary units	**(421,542)**	(1,511,297)
Capitalised costs associated with the issue of units	**-**	(14,355)
Closing balance	**103,328,196**	103,237,234

Movements in ordinary units

Date	**Details**	**Number of units**	**$**
1 July 2015	Opening Balance	115,537,565	87,564,724
30 June 2016	Closing Balance	138,813,912	103,237,234
1 July 2016	Opening Balance	**138,813,912**	**103,237,234**
30 September 2016	Redemptions	**(293,210)**	**(198,590)**
31 October 2016	Issue of new units	**718,094**	**512,504**
31 December 2016	Redemptions	**(328,837)**	**(222,952)**
31 December 2016	Closing Balance	**138,909,959**	**103,328,194**

(1) Issue of new units under Distribution Reinvestment Plan, for quarter ended 30 September 2016.

(2) Issue of new units under December 2015 Information Memorandum, net of contribution fees of $440,979.

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 2016	31 December 2015	**31 December 2016**	31 December 2015
	$	$	**cpu**	cpu
September quarter	**2,776,279**	2,166,330	**2.000**	1.875
December quarter	**2,780,093**	2,220,701	**2.000**	1.875
Total distributions to unitholders for the half-year	**5,556,372**	4,387,031	**4.000**	3.750

8 Reconciliation of profit to net cash inflow from operating activities

	31 December 2016 $	31 December 2015 $
Profit for the period	**5,973,447**	5,257,370
Straight lining adjustment on rental income	**(495,076)**	(85,994)
Amortisation of borrowing costs	**37,154**	37,154
Net (Gain)/Loss in fair value of investment properties	**(126,037)**	(299,651)
Depreciation of Agricultural Assets	**1,334,396**	656,785
Net (Gain)/Loss in fair value of water rights	**-**	(978,195)
Net (Gain)/Loss on derivative financial instruments	**(462,608)**	495,686
Changes in operating assets and liabilities:		
(Increase) in GST receivable	**(480,476)**	-
Decrease/(Increase) in other receivables	**98,624**	(87,433)
(Decrease) in pre-paid rent	**(2,699,407)**	(2,058,812)
(Decrease) in GST payable	**(613,893)**	(404,246)
(Decrease)/Increase in other payables	**(268,609)**	38,528
Net cash inflow from operating activities	**2,297,515**	2,571,192

9. Contingent assets and liabilities and commitments

There are no outstanding contingent assets or contingent liabilities as at 31 December 2016 (2015: Nil).

As at 31 December 2016 there were commitments for capital expenditure on the Fund's properties as follows:

Capital commitments due within next 6 months	**5,312,000**	742,500
Capital commitments due >6 months and < 4 years	**11,648,500**	30,062,500

10 Events occurring after the reporting period

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 2016 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 2016 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
22 February 2017

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

We have reviewed the accompanying half-year financial report of Arrow Primary Infrastructure Fund ("Fund") which comprises the statement of financial position as at 31 December 2016, 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 a statement or description of accounting policies, other explanatory information and the directors' declaration.

Directors' responsibility 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 controls as the directors determine is necessary to enable the preparation of the half-year financial report that 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 the 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 Arrow Primary Infrastructure Fund financial position as at 31 December 2016 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.

Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Arrow Primary Infrastructure 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 2016 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Michael Climpson
Partner

Melbourne, 22 February 2017