



Arrow Primary Infrastructure Fund

ARSN 110813851

**Interim report - for the half-year ended
31 December 2021**



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Interim report - 31 December 2021

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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 2021.

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.

In addition to the above 22 properties, the Fund is continuing to develop Boombera Park, a 1,394-hectare property at Lawrence, in the Northern Rivers region of New South Wales, into a large-scale macadamia orchard. The orchard plantings, irrigation systems and dams are now complete and focus has now shifted to leasing the property to a third party before commercial nut production commences (in 2024).

No properties were disposed and no new properties acquired during the period.

During 2021, Arrow reached agreement with several tenants for the Fund to provide up to \$49.7 million on capital expenditure improvements on a number of properties in exchange for a reduction in rent and extended lease terms. Work has now commenced on a number of these properties with capital expenditure by the Fund expected to be incurred between February 2022 and December 2023. The impact of these lease variations is positive for the Fund, with rent paid by tenants increasing as the funding is provided. As a result of these changes the Weighted Average Lease Expiry (WALE) of the Fund's portfolio has increased to 16.7 years as at 31 December 2021.

As the Fund provides agricultural properties and infrastructure to "essential services" industries, the impact on the Fund from COVID19 has been minimal to date. 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 2021	31 December 2020
Net profit for the half-year	\$18,750,029	\$10,576,960
Add back: Depreciation and amortisation	\$1,553,893	\$1,596,387
Revaluation of Investment Property and Agri Assets	(\$9,973,012)	(\$3,661,217)
Straight line rent adjustment	(\$1,358,857)	(\$952,098)
MTM movement of shares and derivative instruments	(\$2,392,674)	(\$521,946)
Normalised earnings ⁽¹⁾	\$6,579,379	\$7,038,086
Normalised earnings per unit (cents per unit) ⁽¹⁾	3.71	4.09
Distributions paid and payable	\$7,088,702	\$6,884,457
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 \$12.568 million, up by \$0.191 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.
- Rental income also comprised:
 - base property rent (down by \$0.151 million); and
 - property expenses recoverable from tenants (down \$0.065 million).
- The administrative cost of running the Fund calculated by annualising the Indirect Cost Ratio (ICR) was 2.49% for the half-year compared to 2.18% for the previous corresponding period (up by \$0.239 million).
- The "Marked to Market" movement in the Fund's interest rate derivatives resulted in a gain of \$2.729 million compared to a gain of \$1.047 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 carrying value of the Fund's share investment in Murray River Organics Group Ltd decreased by \$0.336 million in the six months to December 2021 and was written down to nil as at 31 December 2021.
- Total revaluations of assets (investment properties & agricultural assets) for the half-year were up \$6.312 million compared to \$4.977 million for the previous corresponding period.

2. Value of Fund's Assets:

	31 December 2021	30 June 2021
Total assets	\$357,968,252	\$343,698,246
Net assets attributable to unitholders	\$208,954,049	\$193,217,240
Net asset value ('NAV') per unit	\$1.1721	\$1.0995

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 2021).

The loan to valuation ratio ("LVR") was 39.6% at 31 December 2021 compared to 41.0% at 30 June 2021 and 44.5% at 31 December 2020.

3. Contributed Equity

There was no equity raising conducted by the Responsible Entity during the half-year to 31 December 2021.

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 2021 were \$7,088,702 (December 2020: \$6,884,457).

During the half-year to December 2021, a total of 2,536,032 new units were issued under the Fund's Distribution Reinvestment Plan (DRP) at a value of \$2,789,995.

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 42% for the December 2021 quarter distribution, compared to 35% for December 2020 quarter.

The Responsible Entity did not offer a quarterly withdrawal facility during the half year to December 2021 as there was more than sufficient liquidity offered by investors who had registered their interest on Arrow's Buyers' List.

As at 31 December 2021 there were 518 unitholders in the Fund.

4. Asset Acquisitions

The Fund spent a total of \$3.860 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 19 October 2021, the Fund formally increased borrowing facilities with its secured lender by \$24.00 million to \$170.0 million. At 31 December 2021 the Fund had total borrowings drawn down on these facilities of \$139.50 million.

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 2021.

Matters subsequent to the end of the reporting period

No other matter or circumstance has arisen since 31 December 2021 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
17 February 2022

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 2021, 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, 17 February 2022

Arrow Primary Infrastructure Fund
Statement of profit or loss and other
comprehensive income
For the half-year ended 31 December 2021

Statement of profit or loss and other comprehensive income

		31 December 2021	31 December 2020
	Notes	\$	\$
Revenue			
Property rental	2	12,567,908	12,377,182
Interest revenue		17,194	60,538
Revaluation of investment properties	3	9,936,143	3,624,348
Revaluation of agricultural assets	5	36,869	36,869
Gain on fair value of derivative financial instruments		2,728,787	1,047,122
Total revenue and other income		<u>25,286,901</u>	<u>17,146,059</u>
Expenses			
Direct property expenses		(496,411)	(554,803)
Responsible Entity's management fee		(1,738,418)	(1,530,797)
Custodian fee		(24,613)	(23,712)
Depreciation of agricultural assets	5	(1,322,427)	(1,352,483)
Depreciation of plant and equipment		(226,683)	(214,947)
Other expenses		(175,973)	(145,513)
Loss on fair value of share investments		(336,113)	(525,176)
Finance costs		(2,216,234)	(2,221,668)
Total expenses		<u>(6,536,872)</u>	<u>(6,569,099)</u>
Net profit for the half-year		18,750,029	10,576,960
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Revaluation of agricultural assets	5	1,285,558	1,315,614
Total comprehensive income for the half-year		<u>20,035,587</u>	<u>11,892,574</u>
Total comprehensive income for the half-year is attributable to:			
Unitholders of Arrow Primary Infrastructure Fund		<u>20,035,587</u>	<u>11,892,574</u>

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 2021

Statement of financial position

		31 December 2021	30 June 2021
	Notes	\$	\$
Current assets			
Cash and cash equivalents		2,238,756	2,672,941
Trade and other receivables		494,631	482,208
Prepayments		-	-
Finance Lease Receivable		38,377	39,058
Total current assets		2,771,764	3,194,207
Non-current assets			
Investment properties	3	295,267,946	281,528,292
Intangible assets	4	9,377,586	9,377,586
Agricultural assets	5	47,597,667	46,182,290
Plant and equipment		2,474,692	2,582,190
Share Investments		-	336,113
Finance Lease Receivable		478,597	497,568
Total non-current assets		355,196,488	340,504,039
Total assets		357,968,252	343,698,246
Current liabilities			
Trade and other payables		1,309,960	1,345,212
Distributions payable		3,557,143	3,506,215
Finance Lease Liability		38,377	39,058
Total current liabilities		4,905,480	4,890,485
Non-current liabilities			
Trade and other payables		281,369	350,528
Derivative financial instruments		3,384,926	6,113,713
Interest-bearing liabilities	6	139,963,831	138,628,712
Finance Lease Liability		478,597	497,568
Total non-current liabilities		144,108,723	145,590,521
Total liabilities		149,014,203	150,481,006
Net assets		208,954,049	193,217,240
Equity			
Contributed equity	7	135,326,715	132,536,791
Asset revaluation reserve		27,495,281	26,209,723
Retained earnings		46,132,053	34,470,726
Total equity		208,954,049	193,217,240

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 2021

Statement of changes in equity

	Note	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

		Contributed equity \$	Retained earnings \$	Revaluation reserve \$	Total equity \$
Balance at 1 July 2021		132,536,791	34,470,726	26,209,723	193,217,240
Profit for the period		-	18,750,029	-	18,750,029
Other comprehensive income for the period		-	-	1,285,558	1,285,558
Total comprehensive income for the period		-	18,750,029	1,285,558	20,035,587
Transactions with owners in their capacity as owners:					
Issue of new units (net of capital raising costs)		2,789,924	-	-	2,789,924
Redemption of units		-	-	-	-
Distributions provided for or paid	7	-	(7,088,702)	-	(7,088,702)
Balance at 31 December 2021		135,326,715	46,132,053	27,495,281	208,954,049

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 2021

Statement of cash flows

	Notes	31 December 2021	31 December 2020
		\$	\$
Cash flows from operating activities			
Property rental receipts		12,562,695	9,439,818
Payments to suppliers		(3,922,441)	(2,160,068)
Interest received		14,533	90,894
Finance costs paid		(2,192,242)	(2,176,737)
Net cash inflow from operating activities	9	6,462,545	5,193,907
Cash flows from investing activities			
Payments for investment properties		(2,444,654)	(5,959,280)
Payments for agricultural assets		(1,415,377)	(1,096,486)
Payments for plant and equipment		(119,185)	(861,130)
Net cash outflow from investing activities		(3,979,216)	(7,916,896)
Cash flows from financing activities			
Net proceeds from equity raising/redemptions		2,789,924	2,148,205
Draw down of borrowings		1,330,336	2,708,465
Distributions paid to unitholders		(7,037,774)	(6,836,775)
Net cash outflow from financing activities		(2,917,514)	(1,980,105)
Net increase/(decrease) in cash and cash equivalents		(434,185)	(4,703,094)
Cash and cash equivalents at the beginning of the half-year		2,672,941	7,817,480
Cash and cash equivalents at the end of the half-year		2,238,756	3,114,386

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 2021 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 2021 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 2021

There are several minor amendments and interpretations which apply for the first time from July 2021, 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 2021	30 December 2020
	\$	\$
Revenue includes:		
(a) Property rental recognised over time from:		
Base property rent	10,943,224	11,093,864
Rent – expenses recoverable	265,827	331,220
Other rental income (recognised on a straight-line basis) ⁽¹⁾	1,358,857	952,098
Total rental income	12,567,908	12,377,182

⁽¹⁾ 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.

3 Investment properties

All investment property was independently valued at December 2021, excluding Boomberra Park. Boomberra Park is held at an independent valuation at June 2020 plus capital expenditure for the period 1 July 2020 to 31 December 2021. This is deemed to be the fair value of the property.

	31 December 2021	30 June 2021
	\$	\$
At fair value		
Opening balance	281,528,292	237,705,166
Acquisition costs and capital expenditure on properties	2,444,654	11,062,782
Revaluations	9,936,143	28,991,825
Changes in fair value for straight-lining of rent adjustment	1,358,857	3,768,519
Closing balance	295,267,946	281,528,292

4 Intangible assets

The Fund owns 5,677 megalitres (June 2021: 5,677 megalitres) of permanent water licences, which form an integral part of long-term property leases with several tenants. 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 2021	30 June 2021
	\$	\$
Opening net book amount	9,377,586	9,377,586
Acquisitions	-	-
Disposals	-	-
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 2021:

- (a) 138 ha of planted mango trees;
- (b) 609 ha of planted almond trees;
- (c) 78 ha of planted citrus trees;
- (d) 605 ha of planted vines;
- (e) 795 ha of planted macadamia trees.

Agricultural assets are independently valued at December 2021, 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 2021 \$	30 June 2021 \$
Gross carrying amount		
Opening balance	61,220,274	56,203,875
Acquisition	1,415,377	2,311,434
Revaluations ⁽¹⁾	1,322,427	2,704,965
Closing balance	63,958,078	61,220,274
Depreciation and impairment		
Opening balance	15,037,984	12,333,019
Depreciation	1,322,427	2,704,965
Reversal of accumulated depreciation	-	-
Closing balance	16,360,411	15,037,984
Carrying amount	47,597,667	46,182,290

- (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 2021, \$36,869 (June 2021: \$73,737) of revaluation increases have been recognised in the profit and loss, while \$1,285,558 (June 2021: \$2,631,228) is recognised in comprehensive income.

6 Interest bearing liabilities

	31 December 2021	30 June 2021
	\$	\$
Non-current		
Secured:		
Plant & equipment loans ⁽ⁱ⁾	522,549	635,796
Cash advance loan facility ⁽ⁱⁱ⁾	139,500,000	138,000,000
Unamortised borrowing costs	(58,718)	(7,084)
Total non-current interest bearing liabilities	139,963,831	138,628,712

Effective 19 October 2021 the Fund's cash advance Facility limit with CBA was increased by \$8.0 million to \$170.0 million.

7 Contributed equity

Movement Year ended 30 June 2021

	Number of units	\$
Opening Balance	170,718,643	127,957,521
Issue of new Ordinary units – Dividend Reinvestment Plan	5,011,720	4,579,269
Closing Balance	175,730,363	132,536,790

Movement for the half year ended 31 December 2021

Opening Balance	175,730,363	132,536,790
Issue of new Ordinary units – Dividend Reinvestment Plan	2,536,032	2,789,995
Redemption of units	-	-
Closing Balance	178,266,395	135,326,715

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 2021	31 December 2020	31 December 2021	31 December 2020
	\$	\$	cpu	cpu
September quarter	3,531,559	3,429,829	2.000	2.000
December quarter	3,557,143	3,454,628	2.000	2.000
Total distributions to unitholders for the half-year	7,088,702	6,884,457	4.000	4.000

9 Reconciliation of profit to net cash inflow from operating activities

	31 December 2021 \$	31 December 2020 \$
Profit for the period	18,750,029	10,576,960
Straight lining adjustment on rental income	(1,358,857)	(952,098)
Amortisation of borrowing costs	4,783	28,957
Net (Gain)/Loss in fair value of investment properties	(9,936,143)	(3,624,348)
Depreciation of Agricultural Assets	1,322,427	1,352,483
Depreciation of Plant and Equipment	226,683	214,947
Net gain on fair value of derivative financial instruments	(2,728,787)	(1,047,122)
Net loss on fair value of share investments	336,113	525,176
(Revaluation)/Impairment of agricultural assets	(36,869)	(36,869)
Changes in operating assets and liabilities:		
Decrease/(Increase) in receivables	(12,423)	738,038
Increase/(decrease) in payables	(104,411)	(2,582,217)
Net cash inflow from operating activities	6,462,545	5,193,907

10 Contingent assets and liabilities and capital commitments

Contingent assets

There were no outstanding contingent assets or liabilities as at 31 December 2021 (Dec 2020: nil).

Capital commitments

Due within one year	25,849,770	5,063,097
Due greater than one year and less than five years	24,365,956	1,700,000
Net cash inflow from operating activities	50,215,726	6,763,097

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 2021 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 2021 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
17 February 2022

Independent Auditor's Review 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 2021, 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 2021 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.

Responsibilities of the Directors of the Responsible Entity for the half-year financial report

The Directors of Arrow Funds Management Limited (the Responsibility Entity) 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 31 December 2021 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, 17 February 2022