

Arrow Primary Infrastructure Fund

ARSN 110813851

**Interim report - for the half-year ended
31 December 2023**



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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 47 (North Tower), 80 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" or "APIF"), present their report together with the financial statements of the Fund for the half-year ended 31 December 2023.

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, the Fund continued to own Boombera Park, a large-scale Macadamia orchard located in the Northern Rivers region of NSW.

On 1 July 2023 the company, Boombera Park Macadamias Pty Ltd (BPM), which was previously owned by the Fund, was transferred into Arrow Operations Trust (AOT) via a non-cash distribution. Investors in APIF were issued with an equivalent number of units in AOT, which are stapled to each investor's APIF units. A property lease was established between APIF and BPM so that BPM could complete the remaining development works as well as undertake all operational activities. The first, small harvest of macadamia nuts from the earlier-planted trees on the property is expected in April/May 2024 and it remains Arrow's intention to continue to look for a suitable, third-party tenant or a buyer for the property.

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

Capital expenditure improvements continued on five of the Fund's poultry properties, with an investment of \$8.165 million during the period. This capex is part of a total \$48.785 million project with Baiada Poultry, which is expected to be completed by December 2024.

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

Review and results of operations

1. Results:

The operating performance of the Fund for its investors is shown in the following calculation of Normalised Earnings ⁽¹⁾:

	31 December 2023	31 December 2022
Net profit for the half-year	\$9,001,926	\$5,825,324
Add back: Depreciation and amortisation	\$1,290,537	\$924,156
Revaluation of Investment Property and Agri Assets	(\$2,465,711)	1,243,575
Straight line rent adjustment	(\$1,781,141)	(\$642,480)
Rent from Boombera Park Pty Ltd	(\$2,150,000)	-
MTM loss/(gain) on derivative instruments	1,954,142	(\$979,910)
Normalised Earnings ⁽¹⁾	\$5,849,753	\$6,370,665
Normalised Earnings per unit (cents per unit) ⁽¹⁾	3.13	3.50
Distributions paid and payable	\$7,480,590	\$7,285,981
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. For the purpose of this calculation, we have also excluded the rent from Boombera Park Macadamias Pty Ltd. If this rent was to be included, the Normalised Earnings per unit would be 4.28 cents per unit.

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 \$16.954 million, up by \$4.069 million compared with the previous corresponding period.
Rental income comprised:
 - base property rent of \$14.940 million (up by \$2.949 million, including \$2.150 million from Boombera Park Macadamias Pty Ltd);
 - straight-line adjustments of \$1.781 million, as required under accounting standards (up by \$1.139 million).
 - property expenses recoverable from tenants of \$0.233 million (down by \$0.018 million).
- Finance costs increased to \$4.488 million, up \$1.163 million compared with the previous corresponding period. This was due to increased borrowings and rises in interest rates. The average interest rate for HY2024 was 5.13% compared to 4.44% (FY2023) and 4.13% (HY2023).
- The administrative cost of running the Fund calculated by annualising the Indirect Cost Ratio (ICR) was 1.98% for the half-year compared to 1.88% for the previous corresponding period.
- The "Marked to Market" movement in the Fund's interest rate derivatives resulted in a loss of \$1.954 million compared to a gain of \$0.980 million for the previous corresponding period. This reflects the market's expectation that the future interest rises may be unlikely.
- Total revaluations of assets (investment properties & agricultural assets) for the half-year were up \$2.466 million compared to a negative \$1.244 million for the previous corresponding period.

Directors have made the decision to continue with a consistent distribution rate of 2.0 cents per quarter. This has resulted in a payout of 4.0 cents per unit for the half-year period, which exceeds Normalised Earnings of 3.13 cents per unit. The difference represents a minor return of capital to investors, which Arrow directors feel is appropriate given the value being created at the Boombera Park macadamia orchard, which is held at cost in the Fund's financial statements.

2. Value of Fund's Assets:

	31 December 2023	30 June 2023
Total assets	\$418,165,128	\$402,785,811
Net assets attributable to unitholders	\$232,151,246	\$226,934,173
Net asset value ('NAV') per unit	\$1.2357	\$1.2223

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 2023).

The loan to valuation ratio ("LVR") was 44.2% at 31 December 2023 compared to 43.5% at 30 June 2023 and 42.6% at 31 December 2022.

3. Contributed Equity

There was no equity raising conducted by the Responsible Entity during the half-year to 31 December 2023.

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 2023 were \$7,480,590 (December 2022: \$7,285,981).

During the half-year to December 2023, a total of 2,210,369 new units were issued under the Fund's Distribution Reinvestment Plan (DRP) at a value of \$2,704,802.

The DRP represents an opportunity for all unitholders to increase their holding in the Fund. Investor participation in the DRP for the quarter ending 31 December 2023 was 31% (by units).

The Responsible Entity did not offer a quarterly withdrawal facility during the half year to December 2023 as there continues to be sufficient liquidity offered by investors who have registered their interest on Arrow's Buyers' List.

As at 31 December 2023 there were 514 unitholders in the Fund.

4. Asset Acquisitions

The Fund spent a total of \$9.182 million on planned Capex at the Fund's following properties: Woodleigh, Bearii, Avenues, Bidgee and Tangaratta poultry farms, Katherine Packing Shed and Boombera Park Macadamia Farm. The Fund also paid \$3.0 million to Boombera Park Macadamias as a lease incentive to support development of the orchard trees.

5. Debt facilities

On 15 December 2023, the Fund formally increased borrowing facilities with its secured lender by \$10.00 million to \$200.0 million. At 31 December 2023 the Fund had total borrowings drawn down on these facilities of \$179.50 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 2023.

Matters subsequent to the end of the reporting period

No other matter or circumstance has arisen since 31 December 2023 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 2024

Grant Thornton Audit Pty Ltd

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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 2023, 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, 22 February 2024

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Arrow Primary Infrastructure Fund
Statement of profit or loss and other
comprehensive income
For the half-year ended 31 December 2023

Statement of profit or loss and other comprehensive income

		31 December 2023	31 December 2022
	Notes	\$	\$
Revenue			
Property rental	2	16,954,382	12,885,013
Interest revenue		36,592	48,466
Revaluation of investment properties	3	2,428,842	(1,280,444)
Revaluation of agricultural assets	5	36,869	36,869
Loss on fair value of derivative financial instruments		(1,954,142)	979,911
Gain on sale of fixed asset		31,709	22,632
Total revenue and other income		17,534,252	12,692,447
Expenses			
Direct property expenses		(478,676)	(496,032)
Responsible Entity's management fee		(2,052,009)	(1,959,450)
Custodian fee		(27,682)	(26,115)
Depreciation of agricultural assets	5	(707,173)	(707,173)
Depreciation of plant and equipment		(253,022)	(211,995)
Amortisation of lease incentive	5	(320,631)	-
Other expenses		(205,605)	(142,299)
Finance costs		(4,487,528)	(3,324,059)
Total expenses		(8,532,326)	(6,867,123)
Net profit for the half-year		9,001,926	5,825,324
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Revaluation of agricultural assets	5	990,935	670,304
Total comprehensive income for the half-year		9,992,861	6,495,628
Total comprehensive income for the half-year is attributable to:			
Unitholders of Arrow Primary Infrastructure Fund		9,992,861	6,495,628

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 2023

Statement of financial position

		31 December 2023	30 June 2023
	Notes	\$	\$
Current assets			
Cash and cash equivalents		370,827	1,098,714
Trade and other receivables		2,291,273	1,310,942
Prepayments		-	5,000
Finance Lease Receivable		72,040	36,398
Total current assets		2,734,140	2,451,054
Non-current assets			
Investment properties	3	343,293,674	330,038,846
Intangible assets	4	9,377,586	9,377,586
Agricultural assets	5	53,432,417	50,295,655
Plant and equipment		2,995,167	2,592,746
Derivative Financial Instruments		5,652,316	7,606,458
Finance Lease Receivable		679,828	423,466
Total non-current assets		415,430,988	400,334,757
Total assets		418,165,128	402,785,811
Current liabilities			
Trade and other payables		1,521,143	1,617,739
Distributions payable		3,750,878	3,705,276
Finance Lease Liability		72,040	36,398
Total current liabilities		5,344,061	5,359,413
Non-current liabilities			
Trade and other payables		135,651	210,285
Interest-bearing liabilities	6	179,854,342	169,858,474
Finance Lease Liability		679,828	423,466
Total non-current liabilities		180,669,821	170,492,225
Total liabilities		186,013,882	175,851,638
Net assets		232,151,246	226,934,173
Equity			
Contributed equity	7	147,022,261	144,317,459
Asset revaluation reserve		29,597,129	28,606,194
Retained earnings		55,531,856	54,010,520
Total equity		232,151,246	226,934,173

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 2023

Statement of changes in equity

	Note	Contributed equity	Retained earnings	Revaluation reserve	Total equity
		\$	\$	\$	\$
Balance at 1 July 2022		138,338,798	58,307,875	27,265,586	223,912,259
Profit for the period		-	5,825,324	-	5,825,324
Other comprehensive income for the period		-	-	670,304	670,304
Total comprehensive income for the period		-	5,825,324	670,304	6,495,628
Transactions with owners in their capacity as owners:					
Issue of new units (net of capital raising costs)		2,796,259	-	-	2,796,259
Redemption of units		-	-	-	-
Distributions provided for or paid	8	-	(7,285,981)	-	(7,285,981)
Balance at 31 December 2022		141,135,057	56,847,218	27,935,890	225,918,165

		Contributed equity	Retained earnings	Revaluation reserve	Total equity
		\$	\$	\$	\$
Balance at 1 July 2023		144,317,459	54,010,520	28,606,194	226,934,173
Profit for the period		-	9,001,926	-	9,001,926
Other comprehensive income for the period		-	-	990,935	990,935
Total comprehensive income for the period		-	9,001,926	990,935	9,992,861
Transactions with owners in their capacity as owners:					
Issue of new units (net of capital raising costs)		2,704,802	-	-	2,704,802
Redemption of units		-	-	-	-
Distributions provided for or paid	8	-	(7,480,590)	-	(7,480,590)
Balance at 31 December 2023		147,022,261	55,531,856	29,597,129	232,151,246

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 2023

Statement of cash flows

	Notes	31 December 2023	31 December 2022
		\$	\$
Cash flows from operating activities			
Property rental receipts		15,186,270	13,530,908
Payments to suppliers		(4,034,361)	(2,865,282)
Interest received		48,604	42,605
Finance costs paid		(4,379,030)	(3,179,105)
Net cash inflow from operating activities	9	6,821,483	7,529,126
Cash flows from investing activities			
Payments for investment properties		(9,044,845)	(3,717,954)
Payments for agricultural assets		(3,136,762)	(1,286,784)
Payments for plant and equipment		(623,734)	(466,656)
Net cash outflow from investing activities		(12,805,341)	(5,471,394)
Cash flows from financing activities			
Net proceeds from equity raising/redemptions		2,704,802	2,102,010
Draw down of borrowings		9,986,157	2,796,259
Distributions paid to unitholders		(7,434,988)	(7,240,350)
Net cash outflow from financing activities		5,255,971	(2,342,081)
Net decrease in cash and cash equivalents		(727,887)	(284,349)
Cash and cash equivalents at the beginning of the half-year		1,098,714	1,608,511
Cash and cash equivalents at the end of the half-year		370,827	1,324,162

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 2023 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors are not aware of any material uncertainties that may cast doubt on the ability of the Fund to continue as a going concern. The Fund has \$10.5 million available under its lender-committed borrowing facility.

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 2023 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 2023

There are several minor amendments and interpretations which apply for the first time from July 2023, 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 2023	31 December 2022
	\$	\$
Revenue includes:		
(a) Property rental recognised over time from:		
Base property rent	14,939,973	11,991,242
Rent – expenses recoverable	233,268	251,291
Other rental income (recognised on a straight-line basis) ⁽¹⁾	1,781,141	642,480
Total rental income	16,954,382	12,885,013

⁽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 properties, excluding Boomberra Park, were independently valued as at 31 December 2023. Full valuations were completed on Lynwood, Woodleigh, Myers, Nagambie and Bearii farms while all other properties received independent desktop valuations. Boomberra Park is held at cost at 31 December 2023, which is deemed to be the fair value of the property.

	31 December 2023	30 June 2023
	\$	\$
At fair value		
Opening balance	330,038,846	319,350,488
Acquisition costs and capital expenditure on properties	9,044,845	11,160,549
Revaluations	2,428,842	(1,810,861)
Changes in fair value for straight-lining of rent adjustment	1,781,141	1,338,670
Closing balance	343,293,674	330,038,846

4 Intangible assets

The Fund owns 5,677 megalitres (June 2023: 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 2023	30 June 2023
	\$	\$
Opening cost	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 2023:

- (a) 138.14 ha of planted mango trees;
- (b) 608.74 ha of planted almond trees;
- (c) 97.55 ha of planted citrus trees;
- (d) 605.3 ha of planted vines;
- (e) 753 ha of planted macadamia trees.

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

	31 December 2023 \$	30 June 2023 \$
Gross carrying amount		
Opening balance	68,777,585	64,983,128
Acquisition	136,762	2,380,111
Lease Incentive ⁽¹⁾	2,679,369	-
Revaluation of Ag Assets – recovery of impairment to profit & loss	36,869	73,737
Revaluations ⁽²⁾	990,935	1,340,609
Closing balance	72,621,520	68,777,585
Depreciation and impairment		
Opening balance	18,481,930	17,067,584
Depreciation	707,173	1,414,346
Closing balance	19,189,103	18,481,930
Carrying amount	53,432,417	50,295,655

- (1) In the 6 months to December 2023, the Fund paid Boomberra Park Macadamias Pty Ltd a lease incentive of \$3,000,000 for the continued development of the Boomberra Park property, in particular, the macadamia trees. This incentive will be amortised over the life of the lease. Amortisation for the 6 months to December 2023 was \$320,631.
- (2) 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 2023, \$36,869 (June 2023: \$73,737) of revaluation increases have been recognised in the profit and loss, while \$990,935 (June 2023: \$1,340,609) is recognised in comprehensive income.

6 Interest bearing liabilities

	31 December 2023 \$	30 June 2023 \$
Non-current		
Secured:		
Plant & equipment loans	391,416	405,259
Cash advance loan facility ⁽ⁱ⁾	179,500,000	169,500,000
Unamortised borrowing costs	(37,074)	(46,785)
Total non-current interest-bearing liabilities	179,854,342	169,858,474

⁽ⁱ⁾ On 15 December 2023, the Fund formally increased borrowing facilities with its secured lender by \$10.00 million to \$200.0 million.

7 Contributed equity

Movement Year ended 30 June 2023

	Number of units	\$
Opening Balance	180,800,016	138,338,798
Issue of new Ordinary units – Dividend Reinvestment Plan	4,856,305	5,978,661
Closing Balance	185,656,321	144,317,459

Movement for the half year ended 31 December 2023

Opening Balance	185,656,321	144,317,459
Issue of new Ordinary units – Dividend Reinvestment Plan	2,210,368	2,704,802
Closing Balance	187,866,689	147,022,261

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 2023 \$	31 December 2022 \$	31 December 2023 cpu	31 December 2022 cpu
Non-Cash distribution to shareholders ⁽¹⁾	100	-	0.00	0.00
September quarter	3,729,612	3,632,052	2.00	2.00
December quarter	3,750,878	3,653,929	2.00	2.00
Total distributions to unitholders for the half-year	7,480,590	7,285,981	4.00	4.00

⁽¹⁾ During the year the Fund made a non-cash distribution of its investment in Boombera Park Macadamias Pty Ltd to the Arrow Operations Trust

9 Reconciliation of profit to net cash inflow from operating activities

	31 December 2023	31 December 2022
	\$	\$
Profit for the period	9,001,926	5,825,324
Straight lining adjustment on rental income	(1,781,141)	(642,480)
Amortisation of borrowing costs	9,710	4,988
Net (Gain)/Loss in fair value of investment properties	(2,428,842)	1,280,444
Amortisation of lease incentive	320,631	-
Depreciation of Agricultural Assets	707,173	707,173
Depreciation of Plant and Equipment	253,022	211,995
Net gain on fair value of derivative financial instruments	1,954,142	(979,911)
Net gain on fixed assets	(31,709)	(22,632)
Net loss on fair value of share investments	-	-
(Revaluation)/Impairment of agricultural assets	(36,869)	(36,869)
Changes in operating assets and liabilities:		
Decrease/(Increase) in receivables	(975,331)	1,329,828
Increase/(decrease) in payables	(171,229)	(148,734)
Net cash inflow from operating activities	6,821,483	7,529,126

10 Contingent assets and liabilities and capital commitments

Contingent assets

There were no outstanding contingent assets or liabilities as at 31 December 2023 (Dec 2022: nil).

	31 December 2023	31 December 2022
	\$	\$
Capital commitments		
Due within one year	12,898,194	25,692,124
Due greater than one year and less than five years	1,265,956	1,265,956
Net cash inflow from operating activities	14,164,150	26,958,080

11 Related party disclosures

On 1 July 2023, the Fund's subsidiary company, Boomberra Park Macadamias Pty Ltd (BPM) was transferred by way of a non-cash distribution to the Arrow Operations Trust (AOT). The fair value of this transaction was \$100.00. AOT's responsible entity is also Arrow Funds Management Limited. The Fund received \$2.10 million in rent from BPM and paid \$3.0 million as a lease incentive.

12 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 2023 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 2023 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 2024

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Independent Auditor's Review Report

To the Unitholders of Arrow Primary Infrastructure Fund

Report on 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 2023, 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 2023 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 Fund 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.

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

The Directors of Arrow Funds Management Limited (the Responsible 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 2023 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, 22 February 2024