

21 December 2023

Mark Sealey – Chief Financial Officer
Arc Infrastructure Pty Ltd
Level 3, 1 George Wiencke Drive
Perth Airport, WA, 6105

Dear Mark,

Agreed-Upon Procedures Report on the Arc Infrastructure Pty Ltd Over-payment Schedule for the three year period ended 31 December 2022

Purpose of this Agreed-Upon Procedures Report and Restriction on Use

Our report is solely for the purpose of assisting you, in combination with other information obtained by you, compliance with the Over-payment Rules as approved in June 2020 (the “Over-payment Rules”) for the three year period ended 31 December 2022 with respect to the Access Agreements as listed in Appendix 2 under the Railways (Access) Code 2000 regulated by the Economic Regulation Authority (the “ERA”) and may not be suitable for another purpose. As required by the Australian Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements*, distribution and use of this report is restricted to Arc Infrastructure Pty Ltd. Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than Arc Infrastructure Pty Ltd for any consequences of reliance on this report for any purpose.

However, we understand that a copy of this report has been requested by Economic Regulation Authority for their information only relating to the compliance with Over-payment Rules. We agree that a copy of this report may be provided to Economic Regulation Authority for their information in connection with this purpose on the basis that we accept no duty, liability or responsibility to Economic Regulation Authority in relation to this report. We accept no duty, responsibility or liability to any party, other than you, in connection with this report or this engagement.

Responsibilities of Management of Arc Infrastructure Pty Ltd

You have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

You are responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner’s Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Australian Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements*.

An agreed-upon procedures engagement involves us performing the procedures that have been agreed with you, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures. This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

Professional Ethics and Quality Management

We have complied with the relevant ethical requirements of the Accounting Professional & Ethical Standards Board *Code of Ethics for Professional Accountants (including Independence Standards)* (the “Code”), including the fundamental principle of objectivity. As we provide Audit Services to Arc Infrastructure Pty Ltd, we also comply with the independence requirements in Part 4A of the Code.

Our firm applies Australian Auditing Standard on Quality Management ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed with you, on the the Arc Infrastructure Pty Ltd Over-payment Schedule for the three year period ended 31 December 2022.

Procedures	Findings
<p>PROC 1.0 Obtain management’s schedule “20231212 Arc Overpayments Audit Schedules” for the years ended 31 December 2020, 2021 and 2022 (“management’s schedule”).</p> <p>Obtain ERA Determined Costs “Appendix 1 - ERA Determined Costs” (“Appendix 1”)</p> <p>Obtain Access Agreement list “Appendix 2 - Access Agreements” (“Appendix 2”)</p>	<p>No exceptions identified.</p>
<p>PROC.1.1 Per Route Section, per year, compare and agree the Total Costs as per management’s schedule () to the ERA determination of total costs (Appendix 1 – ERA Determined Costs) Relevant to Co-Operative Bulk Handling’s Access Proposal dated 10 December 2013, including Corrigenda notice dated 16 April 2015 and including adjusted costs as approved by the ERA on 12 June 2023 as approved by the ERA based on that determination.</p>	<p>No exceptions identified.</p>
<p>PROC.1.2 Per Route Section, per year, compare and agree the Incremental Costs as per management’s schedule () to the ERA determination of incremental costs (Appendix 1 – ERA Determined Costs) Relevant to Co-Operative Bulk Handling’s Access Proposal dated 10 December 2013, including Corrigenda notice dated 16 April 2015 and including adjusted costs as approved by the ERA on 12 June 2023 based on that determination.</p>	<p>No exceptions identified.</p>

<p>PROC.2.1</p> <p>Compare and agree the annual 'Operation Revenue' for each year and each customer operation as per management's schedule (██████████) to the general ledger for the invoiced revenue. For differences identified between the invoiced revenue in the general ledger and management's schedule, randomly select and agree up to 5 of such differences from management's schedule to supporting documentation (e.g. additional schedules, invoices or managements documentation of reasons for the differences) and agree that the documentation indicates the adjustment pertains to the correct year ended 31 December 2020, 2021 or 2022. Report the nature of the supporting documentation obtained for the 5 differences selected.</p>	<p>No exceptions were identified. The nature of the supporting documentation obtained for the 5 differences selected is as follows:</p> <ul style="list-style-type: none"> • Credit Note • RCTI invoices • Management's documentation as outlined in the general ledger
<p>PROC 3.1</p> <p>Per year, inspect that the Route Sections utilised by CBH in management's schedule (██████████), agree to the Routes defined in the Agreements as listed in Appendix 2.</p>	<p>No exceptions identified.</p>
<p>PROC 3.2</p> <p>Per Route Section, per year, inspect 'Operation Distance Use per Route Section' assignments (as per management's schedule, ██████████) to check that Route Sections designated as "Dedicated" have only one operation assigned to them, and Route Sections designated as "Shared" have more than one operation assigned to them.</p>	<p>No exceptions identified.</p>
<p>PROC 3.3</p> <p>Per Route Section, per Revenue Operation, per year, inspect that 'Operation Revenue Allocated exceeding Operation Incremental Costs' (as per management's schedule, ██████████) have non-zero values only where there is a non-zero value for the corresponding operation, Route Section and year on the 'Operation Distance Use per Route Section' (as per management's schedule, ██████████).</p>	<p>No exceptions identified.</p>

<p>PROC 3.4 Per Revenue Operation, per year, agree the total amounts allocated in 'Operation Revenue Allocated per Route Section' (as per management's schedule, [REDACTED]) to the respective 'Operation Revenue' in the general ledger (per management's schedule [REDACTED], consistent with procedure PROC 2.1).</p>	<p>No exceptions identified.</p>
<p>PROC 3.5 Per Route Section, per Revenue Operation, per year, inspect that the 'Route Section % of Operation Revenue Allocated above Incremental Costs' (management's schedule, [REDACTED]) does not exceed the corresponding 'Route Section Distance Use as % of Operation Distance' (management's schedule, [REDACTED]) for Route Sections labelled as "Shared".</p>	<p>No exceptions identified.</p>
<p>PROC 3.6 Per Route Section, per year, inspect that the total CBH 'Operation Revenue Allocated per Route Section' allocated to each Route Section (management's schedule, [REDACTED]) is at least equal to the Incremental Costs for that Route Section (management's schedule, [REDACTED]).</p> <p>If the CBH revenue allocated is less than the Incremental Costs for a Route Section, inspect that the total Operation Revenue for the CBH operation applicable to that Route Section (management's schedule [REDACTED]) has been allocated to that Route Section.</p> <p>Per Route Section, per year, inspect that the total 'Operation Revenue Allocated per Route Section' allocated to each Route Section (management's schedule, [REDACTED]; column D) is at least equal to the Incremental Costs for that Route Section (management's schedule, [REDACTED]).</p>	<p>We identified that the following routes sections for the following years have a total 'Operation Revenue Allocated per Route Section' allocated to each Route Section (management's schedule, [REDACTED]) that is less than the Incremental Costs for that Route Section (management's schedule, [REDACTED]).</p> <p>Year 1 [REDACTED]</p> <p>Year 2 [REDACTED]</p> <p>Year 3 [REDACTED]</p>
<p>PROC 4.1 Inspect that the Route Sections in management's schedule ([REDACTED]) at least covers all the routes in the 15 Commercial Track Access Agreements entered into between Arc Infrastructure Pty Ltd (Arc) and Co-operative Bulk Handling Limited (CBH) ("Agreements") as listed in Appendix 2.</p>	<p>No exceptions identified.</p>

<p>PROC 4.2 Inspect that the list of Route Sections in management's schedule ([REDACTED]) is consistent in each place it appears.</p>	<p>No exceptions identified.</p>
<p>PROC 4.3 Per Route Section, per year, for Route Sections in the Agreements (Appendix 2, consistent with PROC 4.1), inspect that an over-payment or under-recovery figure has been calculated in management's schedule ([REDACTED]).</p>	<p>No exceptions identified.</p>
<p>PROC 4.4 Per Route Section, per CBH operation, inspect that the 'Regime Operation Net Three-Year Overpayment and Interest Due' (management's schedule, [REDACTED]) amount exceeds zero only on Route Sections where the 'Three-Year Net Overpayment' (management's schedule, [REDACTED]) exceeds zero.</p>	<p>No exceptions identified.</p>
<p>PROC 4.5 Per Route Section, per CBH operation, recalculate the 'Regime Operation Net Three-Year Overpayment and Interest Due' (management's schedule, [REDACTED]) as:</p> <ul style="list-style-type: none"> • ['Three-Year Net Overpayment as % of Three Year Overpayment' (management's schedule, [REDACTED])] (itself being the 'Three-Year Net Overpayment' <i>divided by the 'Three-Year Total Overpayment'</i>) <i>Multiplied by</i> • ['Aggregate Over-payments Held' (management's schedule, [REDACTED])] <i>plus</i> ['Aggregate Interest on Over-payments Held' (management's schedule, [REDACTED])] 	<p>No exceptions identified.</p>
<p>PROC 5.1 Per Route Section, per year, recalculate each 'Route Section Over-payment' (i.e. when revenue exceeds costs) and 'Route Section Under-recovery' (i.e. when costs exceeds revenue) on management's schedule ([REDACTED]) as:</p> <ul style="list-style-type: none"> • [Total 'Operation Revenue Allocated per Route Section' [REDACTED]] <i>Minus</i> • [Route Section Total Costs [REDACTED]]. 	<p>No exceptions identified.</p>

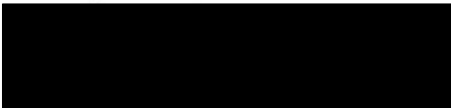
<p>PROC 6.1 Per Route Section, per year, recalculate each over-payment percentage on management's schedule ([REDACTED]) as:</p> <ul style="list-style-type: none"> • [Total 'Operation Revenue Allocated exceeding Operation Incremental Costs' [REDACTED]] <p><i>Divided by</i></p> <ul style="list-style-type: none"> • [Route Section Total Costs [REDACTED]] 	<p>No exceptions identified.</p>
<p>PROC 7.1 Per Route Section, per year, per CBH Revenue Operation, recalculate the 'Operation Revenue Allocated exceeding Operation Incremental Costs' on management's schedule ([REDACTED]) as the larger of zero or:</p> <ul style="list-style-type: none"> • ['Operation Revenue Allocated per Route Section' [REDACTED]] <p><i>Minus</i></p> <ul style="list-style-type: none"> • [Route Section Incremental Costs [REDACTED]] 	<p>No exceptions identified.</p>
<p>PROC 7.2 Per Route Section, per year, recalculate the total 'Operation Revenue Allocated exceeding Operation Incremental Costs' on management's schedule ([REDACTED]) as the larger of zero or:</p> <ul style="list-style-type: none"> • [total 'Operation Revenue Allocated per Route Section' [REDACTED]] <p><i>Minus</i></p> <ul style="list-style-type: none"> • [Route Section Incremental Costs [REDACTED]] 	<p>No exceptions identified.</p>
<p>PROC 7.3 Per Route Section, per year, per CBH Revenue Operation, recalculate the 'Operation Route Section Overpayment % Share' on management's schedule ([REDACTED]) as:</p> <ul style="list-style-type: none"> • ['Operation Revenue Allocated exceeding Operation Incremental Costs' [REDACTED]] (i.e. results of PROC 7.1) <p><i>Divided by</i></p> <ul style="list-style-type: none"> • [total 'Operation Revenue exceeding Operation Incremental Costs' [REDACTED]] (i.e. results of PROC 7.2) 	<p>No exceptions identified.</p>

<p>PROC 7.4 Per Route Section, per year, per CBH Revenue Operation, recalculate the 'Operation Route Section Overpayment \$ Share' on management's schedule (██████████) as:</p> <ul style="list-style-type: none"> • ['Operation Route Section Overpayment % Share' ██████████] (i.e. results of PROC 7.3) <p><i>Multiplied by</i></p> <ul style="list-style-type: none"> • ['Route Section Over-payment' ██████████] 	<p>No exceptions identified.</p>
<p>PROC 8.1 Per Route Section, per year, per CBH Revenue Operation, inspect that the 'Operation Route Section Overpayment \$ Share' on management's schedule (██████████) is less than or equal to 10% of Total Costs (██████████).</p>	<p>No exceptions identified.</p>
<p>PROC 8.2 Per year, inspect that the over-payments account (Appendix 3 ██████████) has been credited with amounts no less than the total CBH Revenue Operation 'Operation Route Section Overpayment \$ Share' (██████████).</p>	<p>The balance as per Appendix 3 as at 26 September 2023, which is the latest available information as at the date when this procedure was performed by the management, is more than the total CBH Revenue Operation 'Operation Route Section Overpayment \$ Share' (██████████).</p>
<p>PROC 9.1 Per Route Section, per CBH Revenue Operation, recalculate the 'Interest on Over-payments Held' on management's schedule (██████████) using a daily compounding interest rate calculation by referencing the 'Operation Route Section Overpayment \$ Share' (██████████) and the interest rate from management's schedule (██████████) as:</p> <ul style="list-style-type: none"> • [Yr1 Overpayment \$ Share] multiplied by [Yr2 Interest Rate] <p>Plus</p> <ul style="list-style-type: none"> • [Yr1 Overpayment \$ Share] multiplied by [Yr2 Interest Rate] multiplied by [Yr3 Interest Rate] (i.e. interest on interest) <p>Plus</p> <ul style="list-style-type: none"> • [Yr1 Overpayment \$ Share] multiplied by [Yr3 Interest Rate] <p>Plus</p> <ul style="list-style-type: none"> • [Yr2 Overpayment \$ Share] multiplied by [Yr3 Interest Rate] 	<p>No exceptions identified.</p>

<p>PROC 9.2 Per year, inspect that the over-payments account (Appendix 3 [REDACTED]) has been credited with amounts no less than the total CBH Revenue Operation 'Interest on Over-payments Held' ([REDACTED]), per PROC 9.1).</p>	<p>The balance as per Appendix 3 as at 26 September 2023, which is the latest available information as at the date when this procedure was performed by the management, is more than the total CBH Revenue Operation 'Interest on Over-payments Held' ([REDACTED]).</p>
<p>PROC 10.1 Inspect that the 'Reference Interest Rates' applied in management's schedule ([REDACTED]) as per PROC 9.1 for the [Yr2 Interest Rate] and the [Yr3 Interest Rate] is the 10 year long term bond rate as of 31 December 2020 and 31 December 2021, respectively, as per the following site: https://www.rba.gov.au/statistics/tables/, "Capital Market Yields – Government Bonds – Daily – F2" spreadsheet "Data" tab, column E.</p>	<p>No exceptions identified.</p>



DELOITTE TOUCHE TOHMATSU



Yvonne van Wijk
Partner
Chartered Accountants
Sydney, Australia, 21 December 2023