



# ANNUAL REPORT 2020 - 2021

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**Statement of Compliance**

**To the Hon. Rita Saffioti MLC**

Minister for Transport; Planning; Ports

In accordance with Section 68 of the *Port Authorities Act 1999* (WA), I hereby submit for your information, the Annual Report of Hedland Maritime Initiative Pty Ltd for the financial year ended 30 June 2021.

**Karlene Bylund**

Chair, Hedland Maritime Initiative Board of Directors

## **1. KEY HIGHLIGHTS**

This Annual Report outlines progress achieved by Hedland Maritime Initiative Pty Ltd (HMI) in the eight months since its incorporation (on 4 November 2020) to 30 June 2021 (reporting period) for the purposes of implementing the State Government approved Port Hedland Voluntary Buy-Back Scheme (PHVBS).

In accordance with the Government approved PHVBS, Pilbara Ports Authority (PPA) commenced levying the PHVBS Port Charge from 1 March 2021 and remitting the funds to HMI. HMI's total revenue in the reporting period was \$22.990 million, with an operating profit before tax of \$20.633 million. This includes contributions received directly from industry.

Participation by eligible residential property owners in the PHVBS is well underway following an Expression of Interest issued in late December 2020 to all eligible residential property owners.

At 30 June 2021:

- 71% of eligible PHVBS properties are engaged in the PHVBS process.
- 11 eligible properties had been acquired by HMI.

Other key achievements for the reporting period are outlined below:

- Establishment of HMI's team - five staff onboarded, three staff of which are located in Port Hedland.
- HMI is partnering with PPA and other stakeholders to transform unused space into a new Port Hedland Seafarers' Centre within the Maritime Precinct; and
- HMI is partnering with PPA and other stakeholders to develop a Pilbara Training College as an iconic and cornerstone development within the Maritime Precinct.

## 2. INTRODUCTION

### 2.1 Background

In June 2020, the WA State Government agreed to a voluntary buy-back scheme for residential properties in Port Hedland's West End within the area subject to the Port Hedland West End Improvement Scheme (IS1).

Hedland Maritime Initiative Pty Ltd (HMI), a wholly owned subsidiary of PPA was established to implement and administer the PHVBS.

HMI has two primary objectives being to administer the PHVBS and planning for and facilitating the development of the Maritime Precinct.

Key features of HMI include:

- Incorporated on 4 November 2020 under the Corporations Act 2001 (Cth), and in accordance with the Port Authorities Act 1999 (WA) (Act), with the approval of the Minister for Ports and the concurrence of the Treasurer
- Pursuant to the Constitution for HMI, the HMI Board is to comprise between two and six Directors, including a Chair.
- Two initial Directors (Karlene Bylund and Roger Johnston) were appointed to the HMI Board and remain the only Directors at the end of the reporting period.
- Other agencies have been invited to nominate a representative for consideration as a Director.
- The costs of giving effect to HMI's key objectives is to be ultimately funded solely by industry. In this regard:
  - PPA – which owns all of the issued share capital of HMI – commenced levying a charge on iron ore vessels that enter and exit the Port of Port Hedland via their shipping agents from 1 March 2021 and remits the funds collected to HMI; and
  - HMI has received contributions directly from industry.
- Permitted activities of HMI are limited to those outlined in its Constitution. Under the Constitution certain matters are reserved for the PPA's Board of Directors approval (as the 100% HMI shareholder); and
- Certain HMI matters are reserved for the Minister for Ports' approval as per the Act.

The Act requires PPA and each subsidiary to annually prepare and submit to the Minister for Ports an Annual Report. This Annual Report has been prepared in accordance with requirements set out in Section 69 of the Act and outlines the operations of HMI and the progress achieved by HMI.



## **2.2 Stakeholder and Community Engagement**

HMI developed and progressed the implementation of a Stakeholder Engagement and Communications Strategy during the reporting period.

Key highlights during the reporting period are as follows:

- HMI contributed to the development of an Inter-Agency Communications and Engagement Framework that ensures a consistent, whole of government approach to key issues relevant to Port Hedland. Under that framework, regular meetings have been held of Directors General and CEOs of relevant agencies and a senior officer's group. HMI has actively participated in these meetings.
- HMI worked with PPA to hold quarterly briefing sessions on the PHVBS and Maritime Precinct development with key stakeholders, including the industry contributors to the PHVBS. Briefing sessions were held with each key stakeholder in February and May 2021.
- HMI updates were provided at two (2) PPA Community Consultation Committee (CCC) meetings in Port Hedland.
- HMI updates were provided at three (3) Port Hedland Industries Council (PHIC) meetings.
- HMI presented to the Kariyarra Aboriginal Corporation Board.
- Continued support of Port Hedland Chamber of Commerce (PHCCI), including via presentations at HMI and PHCCI co-hosted events.
- Fortnightly meetings with representatives from PPA, the Department of Planning Lands and Heritage, Development WA and the Pilbara Development Commission (PDC).
- Monthly meetings with the Town of Port Hedland to provide updates on the PHVBS and Maritime Precinct development.
- Fortnightly Ministerial Briefing Notes (MBN) provided in relation to the PHVBS and development of the Maritime Precinct; and
- HMI engagement and in-kind support to the following local groups and organisations:
  - PHCCI Economic Development Plan Project Steering Group
  - Portside Town Team
  - Port Hedland Historical Society.

## 2.3 Organisation Structure and Governance

Diagram 1: Infographic depicting the corporate and governance structure of HMI

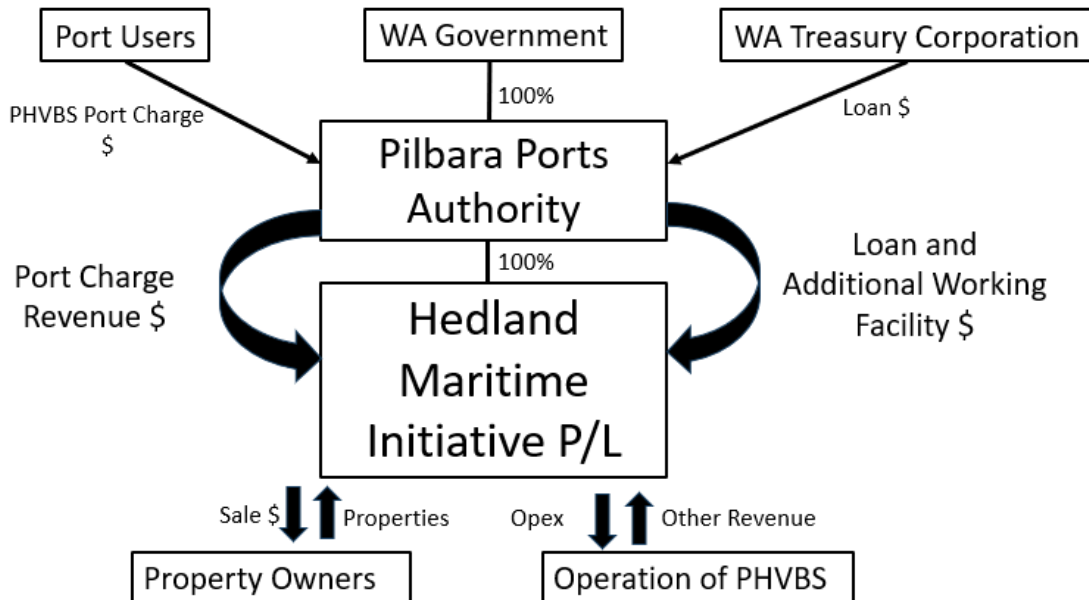
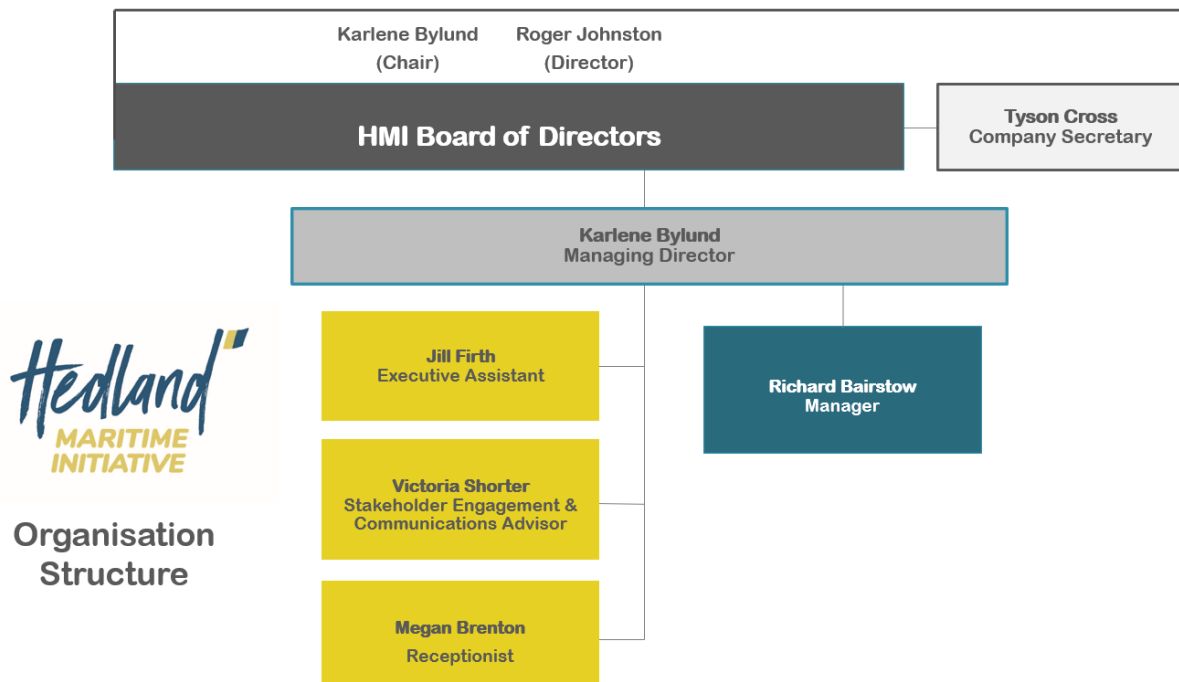


Diagram 2: HMI Organisation Structure



#### **2.4 HMI Board Composition and Member's Representative**

HMI operates with a Board of Directors reporting ultimately to Western Australia's Minister for Ports. The Board can contain between two and six Directors, including a Chair, which oversees the activities of HMI. Two initial Directors are appointed to the HMI Board, Karlene Bylund and Roger Johnston. These were the only two Directors at the end of the reporting period. A company secretary, Tyson Cross, has also been appointed.

On incorporation of HMI, PPA is the sole member (Member). PPA's Chief Executive Officer is appointed as the Member's Representative. Subject to applicable law, HMI must, and each Director of the HMI Board must use all reasonable endeavors and exercise all rights available to it to ensure that HMI takes any action required under Section 77 of the Act at the direction of the Member or the Member's Representative. As at the time of preparing this Annual Report, there were no actions required to be taken under Section 77 of the Act.

The Department of Planning, Lands and Heritage (DPLH), the Pilbara Development Commission (PDC), and DevelopmentWA were each invited to nominate a representative for consideration as a Director of HMI. As at 30 June 2021, each agency was progressing its internal processes (including obtaining State Solicitor's Office advice) before deciding whether to nominate an individual for appointment to the HMI Board. HMI Board composition is a matter discussed at fortnightly meetings between HMI, PPA, DevelopmentWA, DPLH, and PDC.

#### **2.5 HMI Funding**

HMI is fully funded by industry through a combination of industry contributions and a port charge. To provide certainty to industry, HMI developed a PHVBS Port Charge Framework (Framework). This was attached to the Minister for Ports' correspondence to industry contributors and also to PPA's notice introducing the PHVBS Port Charge that was issued to Port of Port Hedland iron ore exporters and shipping agents in December 2020.

Consistent with the Framework, from 1 March 2021, PPA commenced levying a new charge at the Port of Port Hedland to fund HMI being the PHVBS Port Charge.

During the reporting period industry contributions were also made directly to HMI.



The approved business case and financial model for the PHVBS assumed a total cost for administering the PHVBS of \$190.38 million comprised of:

|                                          |                         |
|------------------------------------------|-------------------------|
| ▪ Property Acquisition Costs (Capital):  | \$ 80.49 million        |
| ▪ Property Acquisition Costs (Expense):  | \$ 35.49 million        |
| ▪ Property Write Downs - buildings:      | \$ 5.79 million         |
| ▪ Operating Costs:                       | \$ 42.72 million        |
| ▪ DevelopmentWA Subsidy Land Activation: | \$ 22.00 million        |
| ▪ Financing Costs:                       | \$ 3.89 million         |
| <b>Total</b>                             | <b>\$190.38 million</b> |

HMI and PPA routinely review the assumptions to the financial model to inform and make the necessary budget adjustments.

## 2.6 Reporting

Under the Act, HMI is required to provide information and report to the Minister on HMI's progress and activities.

As a wholly owned subsidiary of PPA, this information is to be provided on an unconsolidated basis.

HMI and PPA are required to prepare a report back on the PHVBS as part of each of the budget processes on the progress of the PHVBS. The first Port Hedland Voluntary Buy-Back Scheme – ERC Report Back was prepared as at 31 March 2021 and submitted as part of the 2021-2022 Budget process.

Under the Framework, HMI has committed to Financial Statements being audited on an annual basis to ensure that the contributions generated from the PHVBS Port Charge levied by PPA and paid to HMI and the costs incurred by HMI are only used for the purposes outlined in the Framework, including to:

- Acquire residential dwellings within the PHVBS area;
- Administer and manage the PHVBS; and
- Facilitate the planning and development of the Maritime Precinct and provide an operating subsidy for the planning and development of land outside of the Maritime Precinct to enable PHVBS participants to relocate if they choose to do so.

The Framework also provides for transparent reporting to industry contributors.

Stakeholder briefing sessions are provided on a quarterly basis to each of the iron ore industry contributors, Government agencies, and other key stakeholders. HMI reports on the PHVBS participation, PHVBS collections and expenditure, any changes to the financial assumption, and the status of the planning and facilitation of the Maritime Precinct development.

## 2.7 Health, safety and injury management performance

HMI has had nil lost time injuries or fatalities in the reporting period.

## 3. ACTIVITIES OF HMI – REPORTING PERIOD

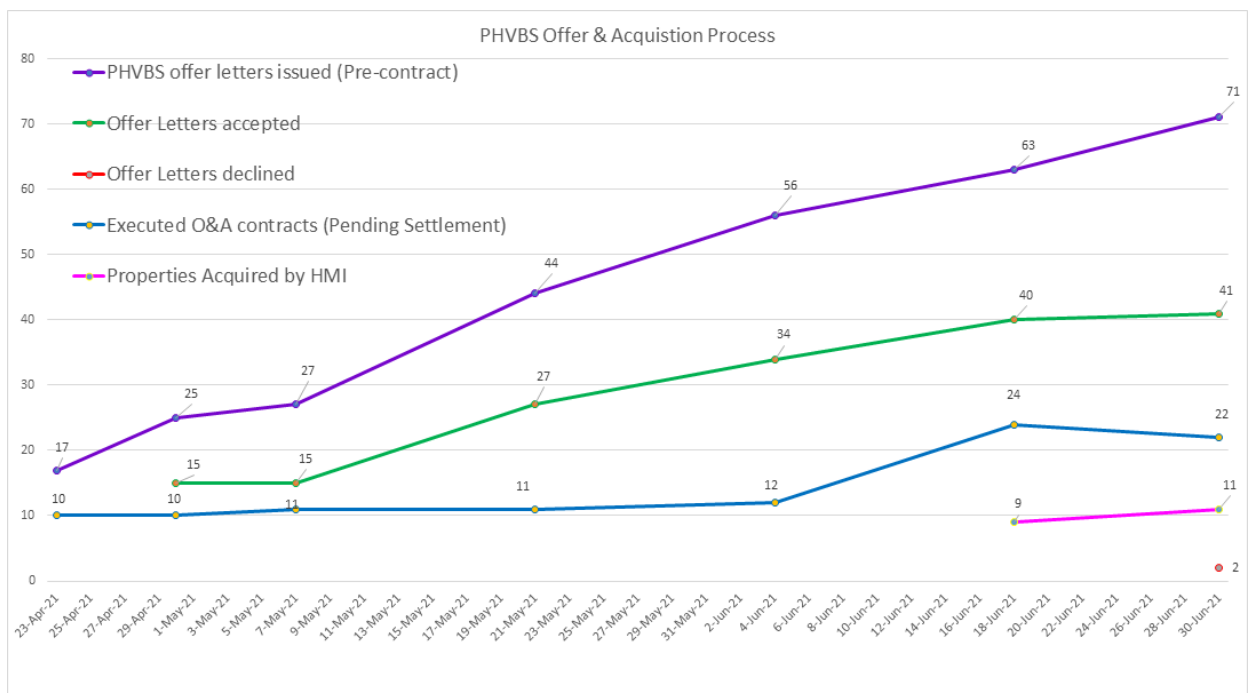
### 3.1 Acquisition of eligible properties

As at 30 June 2021, HMI had acquired 11 eligible PHVBS residential properties.

Performance to 30 June 2021:

- 303 (71 per cent) of the eligible PHVBS properties had engaged in the process;
- 202 (47 per cent) of the eligible PHVBS properties had responded to the Expression of Interest process and had or are obtaining valuations;
- 71 (17 per cent) offers had been made to eligible PHVBS property owners with a total purchase price of \$31.09 million; and
- 41 (10 per cent of eligible PHVBS properties) offers had been accepted and were progressing to settlement or had already been acquired by HMI.

PHVBS offer and acquisition during the reporting period is shown in the graph below:



### **3.2 Development of the Maritime Precinct**

During the reporting period, HMI developed a Maritime Precinct Masterplan that provides a guide to development (including land use) of land to be acquired by HMI within the Maritime Precinct.

A set of PHVBS Land Development Principles were also developed and are incorporated in the Maritime Precinct Masterplan. The PHVBS Land Development Principles provide an opportunity for industry contributors to nominate potential requirements for access to and development of HMI acquired land via the issuance of future expression of interest processes to be issued on PHVBS residential properties acquired by HMI.

At the time of preparing this annual report HMI had not considered any business cases for development of HMI acquired properties and accordingly, there has been no business cases that will impact on the State or require Government funding to report on.

The following proposed developments within the Maritime Precinct are currently being progressed:

- A working group has been established to progress the planning for the development of the Pilbara Training College.
- Preliminary discussions have commenced with stakeholders who have indicated an interest in the Pilbara Training College and the potential to incorporate their training requirements and / or use the college facilities. Discussions are also occurring over the optimal funding, development and operating model for the college.
- PPA has acquired 3 Richardson Street, which is an existing commercial property that is centrally located within Commercial / Portside sub-precinct of the Maritime Precinct. Following PPA's acquisition of the property, PPA's General Manager Marine initiated discussions with Port Terminal Operators to secure funding for the new build of a fit-for-purpose seafarers' facility. This will provide seafarers at the Port of Port Hedland access to a new Seafarers' Centre in the heart of the Maritime Precinct. As at the end of the reporting period, these discussions are ongoing.
- Work is progressed on the West End Greening and Amenity Project. This project is a partnership between BHP, PPA and the Town of Port Hedland and once delivered will improve the overall visual aesthetics and amenity within the West End / Maritime Precinct. BHP's involvement in the West End Greening and Amenity Project is part of its contribution towards developing the Maritime Precinct (being coordinated by HMI).

### **3.3 Redevelopment of Land with DevelopmentWA**

HMI and DevelopmentWA engaged regularly throughout the year to progress the development and implementation of a business case for the redevelopment of land outside of the Maritime Precinct for the relocation of eligible PHVBS residents wanting to relocate.

HMI entered into a funding agreement with DevelopmentWA during the year so that DevelopmentWA could proceed with completing an assessment over seven development sites. Preliminary funding of \$140,000 was provided by HMI for this work.

The assessment will provide HMI with details on the opportunities at each site, costs, constraints and development time, as well as an estimated range of market values for each site. This information will be used by HMI to rank the viability of each site. HMI will then be in a position to make a recommendation to the PPA Board on the preferred sites for development for PHVBS requirements.

#### 4. FINANCIAL STATEMENTS



## FINANCIAL STATEMENTS

FOR THE PERIOD  
ENDED  
30 June 2021

**FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
30 JUNE 2021**

|                                                     |                    |
|-----------------------------------------------------|--------------------|
| <b>Statement of Comprehensive Income</b>            | <b>2021</b>        |
| for the period from 4 November 2020 to 30 June 2021 | \$                 |
| <b>REVENUE</b>                                      |                    |
| Income                                              | 12,979,541         |
| Other revenue                                       | 10,010,286         |
| <b>Total revenue</b>                                | <b>22,989,827</b>  |
| <b>EXPENSES</b>                                     |                    |
| Supplies and services                               | (664,103)          |
| Employee benefits                                   | (538,014)          |
| Port utilities                                      | (1,976)            |
| Rates and taxes                                     | (796)              |
| Finance expenses                                    | (729)              |
| Depreciation and amortisation                       | (45,213)           |
| Impairment of assets                                | (1,066,268)        |
| Other expenses                                      | (39,284)           |
| <b>Total expenses</b>                               | <b>(2,356,383)</b> |
| <b>Profit before income tax</b>                     | <b>20,633,444</b>  |
| Income tax expense                                  | (6,510,868)        |
| <b>Net profit after tax</b>                         | <b>14,122,576</b>  |
| <b>Total comprehensive income</b>                   | <b>14,122,576</b>  |



**FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
30 JUNE 2021**

|                                        |                   |
|----------------------------------------|-------------------|
| <b>Statement of Financial Position</b> | <b>2021</b>       |
| As at 30 June 2021                     | \$                |
| <b>ASSETS</b>                          |                   |
| <b>Current assets</b>                  |                   |
| Cash and cash equivalents              | 14,987,031        |
| Trade and other receivables            | 3,653,513         |
| <b>Total current assets</b>            | <b>18,640,544</b> |
| <b>Non-current assets</b>              |                   |
| Property, plant and equipment          | 3,481,266         |
| ROU property, plant and equipment      | 91,075            |
| Intangible assets                      | 16,519            |
| Deferred tax assets                    | 6,786             |
| <b>Total non-current assets</b>        | <b>3,595,646</b>  |
| <b>Total assets</b>                    | <b>22,236,190</b> |
| <b>LIABILITIES</b>                     |                   |
| <b>Current liabilities</b>             |                   |
| Trade and other payables               | 1,500,070         |
| Lease liabilities                      | 66,525            |
| Current tax liabilities                | 6,517,654         |
| Provisions                             | 5,152             |
| <b>Total current liabilities</b>       | <b>8,089,401</b>  |
| <b>Non-current liabilities</b>         |                   |
| Lease liabilities                      | 23,306            |
| Provisions                             | 905               |
| <b>Total non-current liabilities</b>   | <b>24,211</b>     |
| <b>Total liabilities</b>               | <b>8,113,612</b>  |
| <b>NET ASSETS</b>                      | <b>14,122,578</b> |
| <b>EQUITY</b>                          |                   |
| Contributed equity                     | 2                 |
| Retained earnings                      | 14,122,576        |
| <b>Total equity</b>                    | <b>14,122,578</b> |

FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
30 JUNE 2021

| Statement of Changes in Equity                      | Contributed<br>Equity | Retained<br>Earnings | Total Equity |
|-----------------------------------------------------|-----------------------|----------------------|--------------|
| for the period from 4 November 2020 to 30 June 2021 | \$                    | \$                   | \$           |
| <b>Balance at 4 November 2020</b>                   | -                     | -                    | -            |
| Profit for the period                               | -                     | 14,122,576           | 14,122,576   |
| <b>Total comprehensive income for the period</b>    | -                     | 14,122,576           | 14,122,576   |
| Contribution of equity                              | 2                     | -                    | 2            |
| <b>Balance as at 30 June 2021</b>                   | 2                     | 14,122,576           | 14,122,578   |

**FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
30 JUNE 2021**

|                                                             |                    |
|-------------------------------------------------------------|--------------------|
| <b>Statement of Cash Flows</b>                              | <b>2021</b>        |
| for the period from 4 November 2020 to 30 June 2021         | \$                 |
| <b>Cash flows from operating activities</b>                 |                    |
| Receipts from customers                                     | 21,366,319         |
| Payments to suppliers and employees                         | (1,872,248)        |
| Interest received                                           | 323                |
| Interest paid                                               | (666)              |
| <b>Net cash inflow/(outflow) from operating activities</b>  | <b>19,493,728</b>  |
| <b>Cash flows from investing activities</b>                 |                    |
| Payments for property, plant and equipment and intangibles  | (4,462,450)        |
| <b>Net cash inflow/(outflow) from investing activities</b>  | <b>(4,462,450)</b> |
| <b>Cash flows from financing activities</b>                 |                    |
| Share issued                                                | 2                  |
| Repayment of lease liabilities                              | (44,249)           |
| <b>Net cash inflow/(outflow) from financing activities</b>  | <b>(44,247)</b>    |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>14,987,031</b>  |
| Cash and cash equivalents at the beginning of the period    | -                  |
| <b>Cash and cash equivalents at the end of the period</b>   | <b>14,987,031</b>  |