

Registered number: 03242331

**SIMS GROUP UK LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

TUESDAY



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**SIMS GROUP UK LIMITED**

**COMPANY INFORMATION**

**Directors**

M I Saunders  
S M Skurnac  
D M Williams  
P M Wright

**Company secretary**

D M Williams

**Registered number**

03242331

**Registered office**

Long Marston  
Stratford-upon-Avon  
Warwickshire  
CV37 8AQ

**Independent auditors**

Deloitte LLP  
Statutory Auditor  
4 Brindley Place  
Birmingham  
West Midlands  
United Kingdom  
B1 2HZ

**Bankers**

HSBC Bank Plc  
60 Queen Victoria Street  
London  
EC4N 4TR

J P Morgan Chase  
Chaseside  
Bournemouth  
Dorset  
BH7 7DA

**Solicitors**

Eversheds Sutherland  
115 Colmore Row  
Birmingham  
West Midlands  
B3 3AL

**SIMS GROUP UK LIMITED**

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**SIMS GROUP UK LIMITED**

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 30 JUNE 2019**

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**Introduction**

The directors present their strategic report on the Company for the year ended 30 June 2019.

**Business review**

The principal activities of the Company are the recycling and processing of scrap metals and waste electrical and electronic equipment (recycling solutions).

The results for 2019 have been impacted by changes in legislation in our key markets. There have also been initiatives in key markets in respect of the improvement of product quality.

During the year the Company earned a net profit of £5,559,000 (2018: £22,990,000) while the closing net asset position was £202,800,000 (2018: £210,803,000).

**Principal risks and uncertainties**

The Company recognises that the effective management of risk is essential to achieving the Group's objectives of maximising performance and meeting its commitments to all stakeholders, including its employees, customers and the wider community.

The Company has adopted a Risk Management Policy and a statement on internal compliance and control systems. The process of risk recognition and management is addressed through a framework of policies, procedures and internal controls.

To help ensure all risks relevant to the Company are considered, a systematic approach to risk identification is followed.

The Company's operations expose it to a variety of financial risks that include foreign exchange risk, credit risk, commodity price risk, liquidity risk and capital risk. These risks are discussed in the section of this report dealing with financial instruments and risk management on page 6.

Health and safety has been identified as a significant risk within the business. The company has addressed this risk by having key personnel within each region, regular health and safety training meetings and audits.

**Climate change**

The Company recognises that climate change could have meaningful impacts on the financial performance of the Group over time and has begun the process of identifying key risks and, where possible, commenced action to mitigate their impact.

The key risks identified centre around the potential for increased, and more extreme, weather events impacting:

- Health & Safety issues for employees operating on sites ( extreme temperatures);
- Inability to maintain standard operational hour at facilities ( extreme temperatures);
- Docks, material handling and the transportation of product ( intense rain and winds);
- Access to a reliable supply of electricity ( extended heat waves);and
- Reliable operation of critical data storage sites ( flooding, extended heat waves)

These risks are currently not expected to have a material impact on the companies financial performance. However effect from July 2018, all capex approvals over a threshold value require consideration of the impact of climate change as a standard practice.

<b>SIMS GROUP UK LIMITED</b>
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**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**Financial key performance indicators**

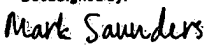
The management of the business and the execution of the Company's strategy are subject to a number of risks, the most significant of which are the health and safety of our employees and pressures on supply and demand. These risks are managed by the use of key performance indicators and regular monitoring procedures, including monthly management meetings.

The directors consider the following indicators to be key in measuring the performance of the business:

	2019	2018
Revenue from continuing operations (£million)	<b>669</b>	694
EBITDA* before restructuring result from continuing operations (£million)	<b>10</b>	14
Operating (loss)/profit before restructuring result from continuing operations (£million)	<b>(1)</b>	6
Operating profit before restructuring result as a percentage of turnover from continuing operations (%)	-	1
- Depreciation*	<b>10</b>	8
- Restructuring*	<b>3</b>	(5)

\*EBITDA is calculated as operating profit plus depreciation and amortisation.

This report was approved by the board on 29 June 2020 and signed on its behalf.

DocuSigned by:  
  
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**M I Saunders**  
 Director

**SIMS GROUP UK LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2019**

The directors present their report and the financial statements for the year ended 30 June 2019.

**Directors' responsibilities statement**

The directors are responsible for preparing the annual report financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the and the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Results and dividends**

The profit for the year, after taxation, amounted to £5,263,000 (2018 - £22,990,000).

The Company received dividends during the year of £11,541,000 (2018: £14,124,000) and paid dividends during the year of £11,541,000 (2018: £NIL).

**Directors**

The directors who served during the year and up to the date of signing were:

M I Saunders  
S M Skurnac  
D M Williams  
P M Wright

**Directors' indemnities**

The Company maintains liability insurance for its directors and officers. Following shareholders' approval the Company has also provided an indemnity for the directors and the Company secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The indemnity was in force throughout the year and is currently in force. This cover is for all companies and subsidiaries.

**SIMS GROUP UK LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2019**

**Political contributions**

There were no political donations made during the year (2018: £nil).

**Branches outside the UK**

There were no branches outside the UK.

**Future developments**

Under the direction of the Group and Company executive leadership teams and in line with the Group's strategic plan, management are confident in the future prospects of the Company.

**Company's policy for payment of creditors**

It is the policy of the Group to agree terms of the transaction, including payment terms, prior to commencing trade with any supplier and to abide by those terms. Provided suppliers perform in accordance with the agreed terms and satisfactory invoices have been received payment is made accordingly. Trade creditor days at 30 June 2019 were 42 days (2018: 44 days). This change was due to timing and classification rather than a significant change in payment practices by the Company.

**Research and development activities**

The Company continues to invest in research and development, in response to legislation and for the advancement of recycling techniques. The directors consider this investment as integral to the continuing success of the business, and to ensure that the Company continues to be at the forefront of the industry in this respect.

**Employee involvement**

The Company strives to ensure that all employment decisions, practices and requirements are not influenced or affected by an applicant's or employee's age, race, colour, national or ethnic origin or community background, gender, sexual orientation, family status, religion or belief, disability, real or suspected living with HIV/AIDS, differing working patterns, political affiliation, ex-offender status or membership/non-membership of a Trade Union.

The Company believes that it is important that all employees are closely involved in the fortunes of the business. Communication has continued at all levels, with the aim that all employees are aware of the financial and economic performance of the Company as a whole.

In this financial year the company has engaged with the employees with town hall meetings, culture survey and safety, health, environmental, community and sustainability updates.

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that all employees be given equal opportunities in respect of training, career development and promotion.

**SIMS GROUP UK LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2019**

**Brexit**

Whilst there are still many uncertainties regarding Brexit, the Business is relatively well placed to withstand and limit any negative impact from a disorderly Brexit. Whilst there are exports to Europe these are products that are expected to be zero tariff under WTO rules. The impact of potential non-tariff barriers and a slowdown in the wider UK economy are more challenging to predict.

The impact of the UK leaving the European Union on 31 January 2020, has thus far had no noticeable impact on the trading of the business. During the transitional period there has been very little change to the business environment as a result of Brexit.

**Going concern**

The Company is in a net asset position of £202,800,000 (2018: £210,803,000). The Company meets its day-to-day working capital requirements through its bank facilities and intercompany loans.

In September 2019 there was a significant crash in prices in the Ferrous market, which was followed by a period where market volumes were subdued. This has had a significant impact on the trading in the first half of the year ending 30 June 2020. As a result the business has taken action to restructure leading to the closure of 11 sites, whilst expanding four other sites to create larger multi-functional sites. The business reported a statutory loss of £31.966m in the first six months, which included £12.069m relating to costs and provisions associated with the restructuring. The strategic result will result in a lowered operating costs basis while maintaining operational capacity at close to FY19 levels.

The Company's and Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company and Group should be able to operate within the level of its current facilities.

**Covid 19**

The global economic impact of COVID-19 is significant. Sims Group UK Limited ("Sims") core markets continued to function relatively normally until the lockdown of the UK in late March 2020. When analysing the impact of the virus on Sims, the most important risks and uncertainties are the availability of the work force, the disruptions to the supply of materials and the global demand for scrap metal. To mitigate the adverse impact of Covid-19 on Sims activities, the company decided at the end of March 2020 to temporarily close for incoming material and focus on clearing existing stocks to fulfil existing sales contracts, however this led to a decrease in turnover of 66% in April and 76% in May compared to these same months in the prior year. This helped Sims to reduce its costs base, with reduced operations and staff across the UK being furloughed. In order to comply with local Covid-19 legislation, we have put new work instructions in place, such as social distancing and invested in the necessary personal protective equipment to comply with UK requirements. Sims have sufficient access to funds available through group financing facilities to meet liabilities as they fall due and acquire materials as they become more readily available from suppliers.

Subsequently in late April, a number of Sims larger sites opened to intake material. During April, volumes in the market were initially running at around 25% of historical levels, but have grown in May towards 40% and up to 70% in early June. Intake is expected to grow steadily as the UK industry gets back to work over the coming months and Sims will open its sites as and when the growth demands. Management has performed a worst case scenario, in order to test the impact of capital requirements over the next 12 months. The reasonable worst case scenario was based on:

- Volume intake is kept at the current 70% of historical levels
- No plans for dividends to be extracted from the company
- No adjustments to the budgeted capital expenditure
- There is an increase in the working capital in line with the budget to return to historical levels.

**SIMS GROUP UK LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2019**

Management expects to be required to draw on funding from Sims Limited, and should they experience further downside Sims Limited have sufficient borrowing capacity to support the UK business..

**Letter of support**

Sims Limited (formerly Sims Metal Management Limited) is willing to provide immediate financial support to Sims Group UK Holdings Limited, Sims Group UK Limited and Sims Metal Management Finance Limited in case of financial difficulties, and if necessary, will invest additional funds essential to ensure that the aforementioned entities will continue to operate as a going concern. Sims Limited extends this support for a period of at least 12 months from the date of signing of the financial statements.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements. As a result, the Directors consider it appropriate that the financial statements continue to be prepared on a going concern basis.

**Financial instruments and risk management**

The Company's operations expose it to a variety of financial risks that included foreign exchange risk, credit risk, commodity price risk, liquidity risk, interest rate risk and capital risk. The Company's overall financial risk management strategy is to mitigate these risks to minimise the potential adverse effects on the financial performance of the company.

**Foreign exchange risk**

The Company manages foreign exchange risk by taking out forward contracts to fix currency exchange rates on export sales. The gain or loss on any mismatch between the currency fixed and the final amount receivable is taken to the income statement. These forward contracts are valued with reference to the exchange rate inherent in the contract.

**Credit risk**

Credit risk on debtors is managed by taking third party insurance on domestic and at risk export debts. If third party insurance is not available, credit limits are established. The Company is also exposed to credit risk arising from counterparts for its forward foreign exchange contracts. Counterparts and associated credit limits for forward foreign exchange contracts are established by the ultimate parent Company.

**Commodities price risk**

The Company is exposed to risks associated with fluctuations in the market price for both ferrous & non-ferrous metals and precious metals, which are at times volatile. The Company seeks to mitigate commodity price risk by seeking to turnover its inventories quickly, instead of holding inventories in anticipation of higher commodity prices. The Company's exposure to commodity prices is to an extent diversified by virtue of its broad commodity base and via metals hedging. Some metals hedging is undertaken by Group using forward contracts matched to purchases or sales of non-ferrous metals and other precious metals.

**Liquidity risk**

The Company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Company has sufficient available funds for operations and planned expansion.

**Interest rate risk**

The Company's main exposure to interest rate risk arises from borrowings at a variable rate. Interest rate risk is managed as part of the wider Group's net debt portfolio.

**Capital risk**

The Company's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group manages its capital in order to provide sufficient funds for the Company's activities. Future capital requirements are regularly

<b>SIMS GROUP UK LIMITED</b>
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**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2019**

assessed and Board decisions taken as to the most appropriate source for obtaining the required funds, be it through internal revenue streams, external funding or selling assets.

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.
- this confirmation is given and should be interpreted in accordance with the provisions of s418 of Companies Act 2006.

**Post balance sheet events**

**Dividends**

On the 26 September 2019 a dividend of €18m was received from Sims Group German Holdings and paid to Sims Group UK Holdings Limited.

On the 28 April 2020 a dividend of €35m was received from Sims Group German Holdings.

On the 15 June 2020 a dividend of £31m was paid to Sims Group UK Holdings Limited.

**Market changes**

In September 2019 there was a significant crash in prices in the Ferrous market, which was followed by a period where market volumes were subdued. This has had a significant impact on trading in the first half of year ending 30th June 2020. As a result the business has taken action to restructure leading to the closure of 11 sites, whilst expanding four other sites to create larger multi-functional sites. The business reported a statutory loss of £31.966m in the first 6 months, which included £12.069m relating to costs and provisions associated with the restructuring. The strategic restructure will result in a lowered operating costs base while maintaining operating capacity at close to FY19 levels.

**Business disposals**

During the half year ended 31 December 2019, the Group agreed to sell its European compliance scheme operations to TSR Recycling. The sale was effective as of 30 September 2019. The balances below are subject to final working capital and other completion audit adjustments. The estimated consideration and the carrying amount of the net assets at the date of disposal prior to any completion adjustments are as follows:

	<b>A\$m</b>
Initial sale price, net of cash sold	133.4
Net carrying value of disposed assets	<u>(135.8)</u>
Loss on business disposal	2.4
Transaction cost associated with disposal to date	<u>0.8</u>
<b>Net loss on business disposal</b>	<b><u>3.2</u></b>

**Brexit**

The impact of the UK leaving the European Union on 31st January 2020, has thus far had no noticeable impact on the trading of the business. During the transitional period there has been very little change to the business environment as a result of Brexit.

**SIMS GROUP UK LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2019**

**Covid-19**

The global economic impact of COVID-19 is significant. Sims core markets continued to function relatively normally until the lockdown of the UK in late March 2020. The lockdown significantly impacted on the scrap metal industry, as a result Sims closed to incoming material in late March and focused on clearing existing stocks to fulfil existing sales contracts. In late April, a number of Sims larger sites opened to intake material. In April, volumes available in the market were initially running at around 25% of normal levels, but have grown in May towards 40%. Intake is expected to grow steadily as UK industry gets back to work over the coming months and Sims will open its sites as and when the growth demands. It is acknowledged that there is a level of uncertainty as to how the situation will evolve and therefore Sims is taking co-ordinated action both in the UK and globally to position the business to withstand any future turbulence, but also to be well placed to benefit once the crisis abates.

The company has taken advantage of the governments Job Retention Scheme with 67% of the workforce furloughed in April, this had reduced to 50% by May.

**Deferred tax**

During June 2020 management have taken the decision to fully impair the deferred tax asset disclosed in note 26, being a value of £23.75m as at June 2019. This is due to worsening market conditions and management revising forecasts in light of the UK restructuring mentioned above in Q2 2020 and the ongoing risk associated with Covid-19 on the global economy. As the above factors were not apparent as at the year end date, the impact has been classified as a non-adjusting post balance sheet event, therefore none of the asset values as at 30 June 2019 have been adjusted accordingly.

**Auditors**

The auditor, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29 June 2020 and signed on its behalf.

DocuSigned by:  
*Mark Saunders*  
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**M I Saunders  
Director**

**SIMS GROUP UK LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SIMS GROUP UK LIMITED**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of Sims Group UK Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 34

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in

**SIMS GROUP UK LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SIMS GROUP UK LIMITED  
(CONTINUED)**

our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**SIMS GROUP UK LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SIMS GROUP UK LIMITED  
(CONTINUED)**

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Peter Gallimore FCA (Senior Statutory Auditor)

for and on behalf of  
**Deloitte LLP**

Statutory Auditor  
4 Brindley Place  
Birmingham  
West Midlands  
United Kingdom  
B1 2HZ

29 June 2020

<b>SIMS GROUP UK LIMITED</b>
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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 £000	2018 £000
Turnover	4	669,226	693,575
Cost of sales		(589,497)	(606,599)
<b>Gross profit</b>		<b>79,729</b>	<b>86,976</b>
Distribution costs		(42,383)	(48,977)
Administrative expenses		(38,524)	(32,217)
Restructuring		(2,694)	4,788
Other operating income	5	1,096	458
<b>Operating (loss)/profit</b>	6	<b>(2,776)</b>	<b>11,028</b>
Income from shares in group undertakings		11,541	14,124
Interest receivable and similar income	10	27	127
Interest payable and similar expenses	11	(1,197)	(981)
Other finance income	12	97	41
<b>Profit before tax</b>		<b>7,692</b>	<b>24,339</b>
Tax on profit	13	(2,133)	(1,349)
<b>Profit for the financial year</b>		<b>5,559</b>	<b>22,990</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial (loss)/gain on defined benefit schemes		(2,295)	1,283
Movements of deferred tax relating to pension surplus/(deficit)		274	(244)
		(2,021)	1,039
<b>Total comprehensive income for the year</b>		<b>3,538</b>	<b>24,029</b>

**SIMS GROUP UK LIMITED**  
**REGISTERED NUMBER: 03242331**

**BALANCE SHEET**  
**AS AT 30 JUNE 2019**

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Tangible assets	17	67,832	51,459
Investments	18	98,769	98,767
		<u>166,601</u>	<u>150,226</u>
<b>Current assets</b>			
Stocks	19	66,885	69,403
Debtors: amounts falling due after more than one year	20	23,750	25,609
Debtors: amounts falling due within one year	20	59,419	57,941
Cash at bank and in hand	21	6,551	10,507
		<u>156,605</u>	<u>163,460</u>
Creditors: amounts falling due within one year	22	(114,667)	(96,174)
<b>Net current assets</b>		<u>41,938</u>	<u>67,286</u>
<b>Total assets less current liabilities</b>		<u>208,539</u>	<u>217,512</u>
Creditors: amounts falling due after more than one year	23	-	(56)
		<u>208,539</u>	<u>217,456</u>
<b>Provisions for liabilities</b>			
Other provisions	27	(7,218)	(10,176)
		<u>(7,218)</u>	<u>(10,176)</u>
<b>Net assets excluding pension asset</b>		<u>201,321</u>	<u>207,280</u>
Pension asset	30	1,479	3,523
<b>Net assets</b>		<u>202,800</u>	<u>210,803</u>
<b>Capital and reserves</b>			
Called up share capital	28	50,000	50,000
Profit and loss account	29	152,800	160,803
		<u>202,800</u>	<u>210,803</u>

**SIMS GROUP UK LIMITED**  
**REGISTERED NUMBER: 03242331**

**BALANCE SHEET (CONTINUED)**  
**AS AT 30 JUNE 2019**

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 June 2020.

DocuSigned by:

*Mark Saunders*

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**M I Saunders**  
Director

The notes on pages 18 to 56 form part of these financial statements.

<b>SIMS GROUP UK LIMITED</b>
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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 July 2018	50,000	160,803	210,803
<b>Comprehensive income for the year</b>			
Profit for the year	-	5,559	5,559
Actuarial losses on pension scheme	-	(2,021)	(2,021)
<b>Other comprehensive income for the year</b>	-	(2,021)	(2,021)
<b>Total comprehensive income for the year</b>	-	3,538	3,538
Dividends: Equity capital	-	(11,541)	(11,541)
<b>Total transactions with owners</b>	-	(11,541)	(11,541)
<b>At 30 June 2019</b>	<b>50,000</b>	<b>152,800</b>	<b>202,800</b>

The notes on pages 18 to 56 form part of these financial statements.

<b>SIMS GROUP UK LIMITED</b>
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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2018**

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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 July 2017	50,000	136,774	186,774
<b>Comprehensive income for the year</b>			
Profit for the year	-	22,990	22,990
Actuarial gains on pension scheme	-	1,039	1,039
<b>Other comprehensive income for the year</b>	-	1,039	1,039
<b>Total comprehensive income for the year</b>	-	24,029	24,029
<b>Total transactions with owners</b>	-	-	-
<b>At 30 June 2018</b>	<b>50,000</b>	<b>160,803</b>	<b>210,803</b>

The notes on pages 18 to 56 form part of these financial statements.

<b>SIMS GROUP UK LIMITED</b>
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**ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 30 JUNE 2019**

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	At 1 July 2018 £000	Cash flows £000	At 30 June 2019 £000
Cash at bank and in hand	10,507	(3,956)	6,551
Debt due within 1 year	(21,300)	2,300	(19,000)
Finance leases	(739)	698	(41)
	<u>(11,532)</u>	<u>(958)</u>	<u>(12,490)</u>

The notes on pages 18 to 56 form part of these financial statements.

**SIMS GROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**1. General information**

The Company is a private Company limited by share capital incorporated in England and Wales and domiciled in the United Kingdom.

The principal activities of the Company are the recycling and processing of scrap metals and waste electrical and electronic equipment (WEEE) and the provision of recycling services.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

These financial statements are separate financial statements. The Company is exempt; as per section 401 of the Companies Act 2006, from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Sims Metal Management Limited. The group accounts of Sims Metal Management Limited are available to the public and can be obtained from the address below.

The registered office of the parent Company preparing consolidated accounts is:  
Sir Joseph Bank Corporate Park, Suite 3, Level 2, 32-34 Lord Street, Botany, NSW 2019, Australia.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

Historical cost convention has been used except for the revaluation of certain properties, financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using other valuation techniques. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS2 or value in use in IAS36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

**Level 1**

Inputs are quoted prices (unadjustable) in active markets for identical assets or liabilities that the entity can access at the measurement date;

**SIMS GROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**2. Accounting policies (continued)**

**2.1 Basis of preparation of financial statements (continued)**

**Level 2**

Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

**Level 3**

Inputs are unobservable inputs for the asset or liability.

The following principal accounting policies have been applied:

**2.2 Financial reporting standard 101 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- the requirements of second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from contracts with customers.

**SIMS GROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**2. Accounting policies (continued)**

**2.3 Impact of new international reporting standards, amendments and interpretations**

**IFRS 9**

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from 01 July 2018.

**IFRS 15**

From 01 July 2018, the Company has applied IFRS 15 using the cumulative effect method.

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 15 from 01 July 2018.

**2.4 Going concern**

The Company is in a net asset position of £202,800,000 (2018: £210,803,000). The Company meets its day-to-day working capital requirements through its bank facilities and intercompany loans.

In September 2019 there was a significant crash in prices in the Ferrous market, which was followed by a period where market volumes were subdued. This has had a significant impact on the trading in the first half of the year ending 30 June 2020. As a result the business has taken action to restructure leading to the closure of 11 sites, whilst expanding four other sites to create larger multi-functional sites. The business reported a statutory loss of £31.966m in the first six months, which included £12.069m relating to costs and provisions associated with the restructuring. The strategic result will result in a lowered operating costs basis while maintaining operational capacity at close to FY19 levels.

The Company's and Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company and Group should be able to operate within the level of its current facilities.

**Covid 19**

The global economic impact of COVID-19 is significant. Sims Group UK Limited ("Sims") core markets continued to function relatively normally until the lockdown of the UK in late March 2020. When analysing the impact of the virus on Sims, the most important risks and uncertainties are the availability of the work force, the disruptions to the supply of materials and the global demand for scrap metal. To mitigate the adverse impact of Covid-19 on Sims activities, the company decided at the end of March 2020 to temporarily close for incoming material and focus on clearing existing stocks to fulfil existing sales contracts, however this led to a decrease in turnover of 66% in April and 76% in May compared to these same months in the prior year. This helped Sims to reduce its costs base, with reduced operations and staff across the UK being furloughed. In order to comply with local Covid-19 legislation, we have put new work instructions in place, such as social distancing and invested in the necessary personal protective equipment to comply with UK requirements. Sims have sufficient access to funds available through group financing facilities to meet liabilities as they fall due and acquire materials as they become more readily available from suppliers.

Subsequently in late April, a number of Sims larger sites opened to intake material. During April, volumes in the market were initially running at around 25% of historical levels, but have grown in May towards 40% and up to 70% in early June. Intake is expected to grow steadily as the UK industry gets back to work over the coming months and Sims will open its sites as and when the growth demands. Management has performed a worst case scenario, in order to test the impact of capital requirements over the next 12 months. The reasonable worst case scenario was based on:

**SIMS GROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**2. Accounting policies (continued)**

**2.4 Going concern (continued)**

- Volume intake is kept at the current 70% of historical levels
- No plans for dividends to be extracted from the company
- No adjustments to the budgeted capital expenditure
- There is an increase in the working capital in line with the budget to return to historical levels.

Management expects to be required to draw on funding from Sims Limited, and should they experience further downside Sims Limited have sufficient borrowing capacity to support the UK business..

**Letter of support**

Sims Limited (formerly Sims Metal Management Limited) is willing to provide immediate financial support to Sims Group UK Holdings Limited, Sims Group UK Limited and Sims Metal Management Finance Limited in case of financial difficulties, and if necessary, will invest additional funds essential to ensure that the aforementioned entities will continue to operate as a going concern. Sims Limited extends this support for a period of at least 12 months from the date of signing of the financial statements.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements. As a result, the Directors consider it appropriate that the financial statements continue to be prepared on a going concern basis.

**2.5 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

**SIMS GROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**2. Accounting policies (continued)**

**2.6 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

The Company has contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company adjusts the transaction prices of these contracts for the time value of money.

**Sale of goods**

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Revenue is recognised when all performance obligations contained within a contract have been satisfied for which the recognition, timing and measurement vary across businesses. Judgments may be required to determine when all performance obligations have been satisfied and as a result the period in which revenue should be recognised.

**2.7 Other income**

Other income comprises of grants received, profit on the sale of assets and other sundry receipts.

**2.8 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.9 Government grants**

Government grants received on capital expenditure are initially recognised within deferred income on the Company's Balance Sheet and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure is recognised.

**SIMS GROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**2. Accounting policies (continued)**

**2.10 Dividend and Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

**2.11 Finance costs**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.12 Borrowing costs**

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

**2.13 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**Defined benefit pension plan**

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the IAS 19 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate

**SIMS GROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**2. Accounting policies (continued)**

**2.13 Pensions (continued)**

valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

The defined benefit plan is now closed to new entrants.

Currently there is a pension fund asset, the Trust Deed permits refunds of surplus monies subject to regulatory requirements and only when the members' benefits are sufficiently well secured such that the Scheme could afford to pay such a refund. As the balance sheet position is inherently volatile and is highly dependent on actual asset returns over the next year and changes in market conditions underlying the assumptions; no such refund is anticipated in the future.

**2.14 Share based payments**

The Company participates in a long-term incentive scheme which rewards certain employees with share options or performance rights, in the form of shares in the ultimate parent Company Sims Metal Management Limited. The share options and performance rights are equity-settled, however the Board of Directors of the ultimate parent Company retain the right to offer, a cash alternative. Equity settled share-based payments are measured at fair value at the date of award and this value is subsequently updated at each balance sheet date for management's best estimate of the effect of non-market based vesting conditions, if any, on the number of equity instruments that will ultimately vest. The cost is recognised as an expense over the vesting period by calculating the cumulative expense and recognising the movement in the cumulative expense in the income statement. A corresponding entry is made to intercompany creditors, as the cost is recharged from the group Company. The fair value of options and performance rights at grant date is independently determined using either a binomial model or a Monte-Carlo simulation model which takes into account any market related performance conditions. Non-market vesting conditions are not considered when determining fair value, but rather are included in the assumptions about the number of rights that are expected to vest. The fair value of restricted share units is determined based on the market price of the Company's shares on the date of grant and the Company's dividend yield. The weighted average share price at the date of exercise for share options exercised during the year was A\$ 16.44 per share.

**SIMS GROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**2. Accounting policies (continued)**

**2.15 Current taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

**2.16 Restructuring**

Restructuring items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

**2.17 Goodwill**

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

**2.18 Other intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

**2.19 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

<b>SIMS GROUP UK LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**2. Accounting policies (continued)**

**2.19 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2% per annum
Leasehold property	- Period of the lease
Plant and machinery	- 10% - 33% per annum
Other fixed assets	- No depreciation until asset complete

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**2.20 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

**Key assumptions**

The value in use calculations primarily use a five year cash flow projection, which is based initially on the budget for the year ended 30 June 2020; and a four year forecast prepared by management. The four year forecast is developed using historical averages derived from four years of historical results and the budget for the year ended 30 June 2020.

These five year projections also incorporate management estimates related to the inherent impact of future volatility in volumes, commodity prices and margins drawn from past experience and factor in current and expected future economic conditions. A terminal value is determined from the final year of cashflow based on application of the Gordon Growth Model.

The cashflows are discounted using rates that reflect management's estimates of the time value of money and the risks specific to each CGU that are not already reflected in the cashflows. In determining appropriated discount rates for each CGU, consideration has been given to a weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the CGU.

The cashflow projections are based on management's best estimates, with references to historical results, to determine income, expenses, capital expenditures and cashflows for each CGU. Expected future cashflows used to determine the value in use of goodwill are inherently uncertain and

**SIMS GROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**2. Accounting policies (continued)**

**2.20 Impairment of fixed assets and goodwill (continued)**

could materially change over time. Should management's estimate of the future not reflect actual events, further impairments may be identified.

**2.21 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

**2.22 Inventories**

Stocks are valued at the lower of cost and net realisable value. Cost, for non-processed stock, is the average purchase price of the raw materials. Cost formula is based on FIFO. Processed ferrous stock is valued at the cost of the raw materials and attributable overheads for the stage of processing incurred. This allocation of overhead is based on the expected normal level of business activity. Non-ferrous processed stock, where cost cannot be determined, is valued at selling price less margin, based on normal levels of activity, which is deemed to be akin to cost. Net realisable value is based on estimated selling price less further processing costs and delivery charges, where applicable.

**Valuation of inventories**

Quantities of inventories are determined using various estimation techniques, including observation, weighing and other industry methods and are subject to periodic physical verification.

**Net realisable value**

The Company reviews its inventory at the end of each reporting period to determine if it is properly stated at net realisable value. Net realisable value is based on estimated future selling prices. Impairment losses may be recognised on inventory if management needs to reverse its estimates of net realisable value in response to changing market conditions.

**2.23 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.24 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**SIMS GROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**2. Accounting policies (continued)**

**2.25 Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.26 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**2.27 Financial Instruments**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**Financial assets at FVTPL**

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the profit and loss account.

**Loans and receivables**

Trade receivables and unquoted loans are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

**SIMS GROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**2. Accounting policies (continued)**

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

**Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

**Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

**Financial liabilities at FVTPL**

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the profit and loss account.

**Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

**Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit and loss account.

**Derivative financial instruments**

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

**SIMS GROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**2. Accounting policies (continued)**

**2.28 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

**Critical accounting estimate and judgemental**

Determination of potential impairment requires an estimation of the recoverable amount of the CGU's to which the goodwill and fixed assets with indefinite useful lives are allocated. The recoverable amount of each CGU is determined based on the higher of its value in use or fair value less costs to sell. These calculations require the use of assumptions such as discount growth rates, growth rates and other assumptions.

Deferred tax balances are recognised in respect of all temporary timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

The key judgements relate to the recoverability of the deferred tax assets, namely the company's ability to utilise the brought forward trading losses. There is no expiry date in relation to these trading losses, with management preparing forecasts to underpin the company's ability to recover over the next 5 years.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the difference between fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

<b>SIMS GROUP UK LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**4. Turnover**

An analysis of turnover by class of business is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Metals recycling	<b>652,668</b>	676,816
Recycling solutions	<b>16,557</b>	16,759
	<b>669,225</b>	<b>693,575</b>

Analysis of turnover by country of destination:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
United Kingdom	<b>125,870</b>	103,316
Rest of the world	<b>543,356</b>	590,259
	<b>669,226</b>	<b>693,575</b>

**5. Other operating income**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Government grants receivable	<b>383</b>	87
Sundry income	<b>605</b>	225
Profit on disposal of tangible assets	<b>108</b>	146
	<b>1,096</b>	<b>458</b>

<b>SIMS GROUP UK LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**6. Operating (loss)/profit**

The operating profit is stated after charging/(crediting):

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Research & development charged as an expense	480	774
Depreciation of tangible fixed assets	10,320	8,196
Impairment of tangible fixed assets	60	(84)
Amortisation of intangible assets, including goodwill	508	-
Exchange differences	152	2,522
Share based payments	551	550
Defined contribution pension cost	1,567	1,388
Defined benefit pension cost	346	(41)
Cost of stocks recognised as an expense	491,411	529,263
<b>Operating lease payments</b>		
- minimum lease payments	3,405	2,989
Government grants	(383)	(87)
	<u>(383)</u>	<u>(87)</u>

**7. Auditors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	192	189

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

Amounts paid in relation to other group companies were 2019:£22,500 (2018:£11,000).

<b>SIMS GROUP UK LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**8. Employees**

Staff costs, including directors' remuneration, were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>29,022</b>	26,432
Social security costs	<b>3,020</b>	2,770
Cost of defined benefit scheme	<b>346</b>	-
Cost of defined contribution scheme	<b>1,567</b>	1,388
	<u><b>33,955</b></u>	<u>30,590</u>

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Production	<b>516</b>	482
Selling and administration	<b>189</b>	173
Management	<b>152</b>	137
	<u><b>857</b></u>	<u>792</u>

## SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**9. Directors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	<b>664</b>	1,246
Directors gains on long term incentive schemes	<b>458</b>	469
Company contributions to defined contribution pension schemes	<b>44</b>	94
	<u><b>1,166</b></u>	<u>1,809</u>

During the year retirement benefits were accruing to 3 directors (2018 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £324 thousand (2018 - £669 thousand).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £29 thousand (2018 - £15 thousand).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £NIL (2018 - £0 thousand)

The total accrued pension provision of the highest paid director at 30 June 2019 amounted to £NIL (2018 - £NIL).

**10. Interest receivable**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Other interest receivable	<b>27</b>	127
	<u><b>27</b></u>	<u>127</u>

<b>SIMS GROUP UK LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**11. Interest payable and similar expenses**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Bank interest payable	1,074	870
Finance leases and hire purchase contracts	7	25
Other interest payable	116	86
	<u>1,197</u>	<u>981</u>

**12. Other finance income**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Interest income on pension scheme assets	860	830
Net interest on net defined benefit liability	(763)	(789)
	<u>97</u>	<u>41</u>

## SIMS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

## 13. Taxation

	2019 £000	2018 £000
<b>Corporation tax</b>		
Adjustments in respect of previous periods	-	(196)
	-	(196)
<b>Total current tax</b>	-	(196)
<b>Deferred tax</b>		
Fixed asset temporary differences	572	1,000
Losses	(1,204)	(196)
Share based compensation	111	371
Pension cost relief below pension cost charge	48	236
Other	(26)	134
Change in tax rate	2,632	-
<b>Total deferred tax</b>	2,133	1,545
<b>Taxation on profit/(loss)</b>	2,133	1,349

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**13. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	<b>2019 £000</b>	<b>2018 £000</b>
Profit before tax	<b>7,692</b>	<b>24,339</b>
Profit multiplied by standard rate of corporation tax in the UK of 19.% (2018, - 19%)	<b>1,461</b>	<b>4,624</b>
<b>Effects of:</b>		
Non-tax deductible amortisation of goodwill and impairment	<b>67</b>	<b>67</b>
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	<b>86</b>	<b>24</b>
Adjustments to tax charge in respect of prior periods	<b>65</b>	<b>(970)</b>
Short term timing difference leading to an increase in taxation	<b>2,632</b>	<b>6</b>
Non-taxable income	<b>(2,312)</b>	<b>(2,732)</b>
Other differences leading to an increase (decrease) in the tax charge	<b>134</b>	<b>330</b>
<b>Total tax charge for the year</b>	<b>2,133</b>	<b>1,349</b>

**Factors that may affect future tax charges**

Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will now not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at 17%. The estimated impact of the rate change is an increase in the carry value of the deferred tax asset of £2,632,189.

<b>SIMS GROUP UK LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**14. Dividends**

	<b>2019 £000</b>	<b>2018 £000</b>
Dividends paid 23.08p per share (2018: 0p)	<b>11,541</b>	-
	<u><b>11,541</b></u>	<u>-</u>

**15. Restructuring**

	<b>2019 £000</b>	<b>2018 £000</b>
Restructuring result	<b>2,694</b>	(4,788)
	<u><b>2,694</b></u>	<u>(4,788)</u>

**16. Goodwill**

	<b>2019 £000</b>
<b>Cost</b>	
At 1 July 2018	<b>73,075</b>
<b>At 30 June 2019</b>	<u><b>73,075</b></u>
<b>Amortisation</b>	
At 1 July 2018	<b>73,075</b>
<b>At 30 June 2019</b>	<u><b>73,075</b></u>
<b>Net book value</b>	
<b>At 30 June 2019</b>	<u><u><b>-</b></u></u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019.**

**17. Tangible fixed assets**

	Freehold property £000	Long-term leasehold property £000	Plant and machinery £000	Assets under the course of construction £000	Total £000
<b>Cost or valuation</b>					
At 1 July 2018	17,468	19,134	108,166	9,672	154,440
Additions	972	3,471	12,718	-	17,161
Recognised on hive-across of Lord & Midgley	194	-	9,431	-	9,625
Disposals	-	(5)	(1,815)	-	(1,820)
Transfers between classes	(363)	(2,209)	(6,058)	8,630	-
At 30 June 2019	18,271	20,391	122,442	18,302	179,406
<b>Depreciation</b>					
At 1 July 2018	5,226	12,082	85,672	-	102,980
Charge for the year on owned assets	420	1,419	7,879	-	9,718
Charge for the year on financed assets	-	-	602	-	602
Disposals	-	(5)	(1,781)	-	(1,786)
Impairment charge	-	4	56	-	60
At 30 June 2019	5,646	13,500	92,428	-	111,574
<b>Net book value</b>					
At 30 June 2019	12,625	6,891	30,014	18,302	67,832
At 30 June 2018	12,242	7,051	22,494	9,672	51,459

Assets under the course of construction are the Avonmouth redevelopment project with £7m being spent to date, with a future commitment of £5m

<b>SIMS GROUP UK LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**17. Tangible fixed assets (continued)**

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	<b>2019 £000</b>	<b>2018 £000</b>
Plant and machinery	38	709
	<u>38</u>	<u>709</u>

**18. Fixed asset investments**

	<b>Investments in subsidiary companies £000</b>
<b>Cost or valuation</b>	
At 1 July 2018	156,888
Additions	2,134
At 30 June 2019	<u>159,022</u>
<b>Impairment</b>	
At 1 July 2018	58,122
Charge for the period	2,131
At 30 June 2019	<u>60,253</u>
<b>Net book value</b>	
At 30 June 2019	<u>98,769</u>
At 30 June 2018	<u>98,766</u>

The addition relates to an increase in the investment in Sims Recycling Solutions FZE and Kaystan Holdings Limited

On 30 September 2019 the European compliance scheme operations were sold (See note 32).

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**18. Fixed asset investments (continued)****Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>Holding</b>
Sims Recycling Solutions Austrian Holdings GmbH	Industriestrasse 2, A-7052 Müllendorf, Austria	Holding Company	Ordinary	100%
Sims Group Recycling Solutions Canada Ltd	1200-999 West Hastings Street, Vancouver, Canada	Electronic Scrap Recycling	Ordinary	100%
Sims Lifecycle Services s.r.o	Hviezdoslavova 53, 62700 Brno-Slatina	Holding Company	Ordinary	90%
Sims Recycling Solutions FZE	Warehouse No. RA08YC05, Jebel Ali, Dubai, United Arab Emirates	Electronic Scrap Recycling	Ordinary	100%
Sims Group German Holdings GmbH	Rathenaustraße 10, 59192 Bergkamen, Germany	Electronic Scrap Recycling	Ordinary	100%
Mirec BV	Hastelweg 251, 5652CV, Eindhoven, Netherlands	Holding Company	Ordinary	100%
Sims Recycling Solutions Cooperatief	Hastelweg 251, 5652CV, Eindhoven, Netherlands	Electronic Scrap Recycling	Ordinary	100%
Sims Lifecycle Services BV	Waarderweg 60, 2031 BP Haarlem	Electronic Scrap Recycling	Ordinary	100%
Sims Recycling Solutions Sp. z.o.o	Bydgoszcz (85-463), ul. Lakowa 79, Poland	Electronic Scrap Recycling	Ordinary	100%
Sims Recycling Solutions AB	Karosserigatan 6 641 51 Katrineholm Sweden	Electronic Scrap Recycling	Ordinary	100%
Sims Recycling	Illinois Corporation Service Company, 801 Adlai Stevenson Drive, Springfield, IL 62703	Electronic Scrap Recycling	Ordinary	100%
Cooper Metal Recycling Limited	Long Marston, Warwickshire United Kingdom, CV37 8AQ, England and Wales	Electronic Scrap Recycling	Ordinary	100%
Deane Wood Export Limited	Long Marston, Warwickshire United Kingdom, CV37 8AQ, England and Wales	Dormant	Ordinary	100%
Dunn Brothers (1995) Limited	Long Marston, Warwickshire United Kingdom, CV37 8AQ, England and Wales	Dormant	Ordinary	100%
Sims Metal Management UK Limited	Long Marston, Warwickshire United Kingdom, CV37 8AQ, England and Wales	Dormant	Ordinary	100%

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**18. Fixed asset investments (continued)****Subsidiary undertakings (continued)**

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>Holding</b>
Sims Recycling Solutions Limited	Irongray Business Park, Lochside Industrial Estate, Dumfries, DG2 0NR, Scotland	Dormant	Ordinary	100%
United Castings Limited	Long Marston, Warwickshire United Kingdom, CV37 8AQ, England and Wales		Ordinary	100%
Sims Recycling Solutions Austrian Intermediate Holdings GmbH	Industriestrasse 2, A- 7052 Müllendorf, Austria	Dormant	Ordinary	100%
Sims Metrade GmbH	Industriestrasse 2, A- 7052 Müllendorf, Austria	Dormant	Ordinary	2%
Sims Recycling Solutions NV	Europark Noord 32 9100 Sint-Niklaas, Belgium	Dormant	Ordinary	1%
Sims M & R GmbH	Rathenaustraße 10, 59192 Bergkamen, Germany		Ordinary	100%
Sims Lifecycle Services GmbH	Im Weiherfeld 25, D- 65462 Ginsheim- Gustavsburg, Germany		Ordinary	100%
Sims Recycling Solutions AS	Løytnant Dons, vei 4 1630 Gamle Fredrikstad,		Ordinary	100%
Sims Recycling Solutions Inc	Illinois Corporation Service Company, 801 Adlai Stevenson Drive, Springfield, IL 62703		Ordinary	100%
Converge Engineering LLC	Illinois Corporation Service Company, 801 Adlai Stevenson Drive, Springfield, IL 62703		Ordinary	100%
Kaystan Holdings Limited	Long Marston, Warwickshire United Kingdom, CV37 8AQ, England and Wales		Ordinary	100%
Lord & Midgley Limited	Long Marston, Warwickshire United Kingdom, CV37 8AQ, England and Wales		Ordinary	100%
Morley Waste Traders Limited	Long Marston, Warwickshire United Kingdom, CV37 8AQ, England and Wales		Ordinary	100%

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**18. Fixed asset investments (continued)****Subsidiary undertakings (continued)**

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>Holding</b>
Sims Group UK Pension Trustees Limited	Long Marston, Warwickshire United Kingdom, CV37 8AQ, England and Wales		Ordinary	100%

**19. Stocks**

	<b>2019 £000</b>	<b>2018 £000</b>
Raw materials and consumables	<b>16,702</b>	8,172
Finished goods and goods for resale	<b>50,183</b>	61,231
	<b>66,885</b>	69,403

**Replacement costs of stock**

The difference between purchase price or production cost of stocks and their replacement cost is not material.

**20. Debtors**

	<b>2019 £000</b>	<b>2018 £000</b>
<b>Due after more than one year</b>		
Deferred tax asset	<b>23,750</b>	25,609
	<b>23,750</b>	25,609
<b>Due within one year</b>		
Trade debtors	<b>33,895</b>	40,178
Amounts owed by fellow group undertakings	<b>13,668</b>	5,827
Other debtors	<b>7,087</b>	7,998
Prepayments and accrued income	<b>4,769</b>	3,938
	<b>59,419</b>	57,941

<b>SIMS GROUP UK LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**20. Debtors (continued)**

Amounts owed by group undertakings are unsecured interest free and repayable on demand.

**21. Cash and cash equivalents**

	2019 £000	2018 £000
Cash at bank and in hand	6,551	10,507
	<u>6,551</u>	<u>10,507</u>

**22. Creditors: Amounts falling due within one year**

	2019 £000	2018 £000
Bank loans	19,000	21,300
Trade creditors	56,277	64,240
Amounts owed to fellow group undertakings	30,096	644
Other taxation and social security	1,094	1,041
Obligations under finance lease and hire purchase contracts	41	698
Provisions	2,645	1,466
Other creditors	1,410	1,177
Accruals and deferred income	3,225	3,831
Derivative financial instruments	879	1,777
	<u>114,667</u>	<u>96,174</u>

The Group has access to unsecured global multi-currency/multi-option loan facilities, all of which are subject to common terms. The amount of credit available is subject to limits from loan covenants as specifies in the loan facilities.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**23. Creditors: Amounts falling due after more than one year**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Net obligations under finance leases and hire purchase contracts	-	41
Trade creditors	-	15
	<u>-</u>	<u>56</u>
	<u>-</u>	<u>56</u>

**24. Hire purchase and finance leases**

Future minimum lease payments for:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Within one year	41	705
Between 1-5 years	-	41
	<u>41</u>	<u>746</u>
	<u>41</u>	<u>746</u>

The present value of minimum lease payments is analysed as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Within one year	41	698
Between 1-5 years	-	41
	<u>41</u>	<u>739</u>
	<u>41</u>	<u>739</u>

The Group has access to unsecured global multi-currency/multi-option loan facilities, all of which are subject to common terms. The amount of credit available is subject to limits from loan covenants as specifies in the loan facilities

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**25. Financial instruments**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u><b>54,649</b></u>	<u>46,010</u>
<b>Financial liabilities</b>		
Derivative financial instruments measured at fair value through profit or loss - forward exchange contracts	<b>(879)</b>	<b>(1,777)</b>
Financial liabilities measured at amortised cost	<u><b>(113,788)</b></u>	<u>(89,679)</u>
	<u><b>(114,667)</b></u>	<u>(91,456)</u>

Financial assets that are debt instruments measured at amortised cost comprise of trade and other debtors.

Derivative financial instruments measured at fair value through profit or loss comprise of foreign exchange forward contracts.

Financial liabilities measured at amortised cost comprise of trade and other creditors.

**26. Deferred taxation**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
At beginning of year	<b>25,609</b>	27,209
Charged to profit or loss	<b>(2,136)</b>	(1,544)
Charged to other comprehensive income	<b>274</b>	(244)
Utilised in year	<b>3</b>	188
<b>At end of year</b>	<u><b>23,750</b></u>	<u>25,609</u>

**SIMS GROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**26. Deferred taxation (continued)**

The deferred taxation balance is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	6,486	7,821
Tax losses carried forward	17,941	18,846
Pension surplus	(847)	(1,335)
Other timing differences	170	277
	<u>23,750</u>	<u>25,609</u>

The deferred tax asset relating to the losses carried forward has been recognised on the grounds that the company is confident of maintaining future profits against which the losses will be offset.

Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will now not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at 17%. The estimated impact of the rate change is an increase in the carry value of the deferred tax asset of £2,378,077.

**27. Provisions**

	Dilapidations £000	Onerous Lease £000	Reorganisation £000	Holiday Pay £000	Total £000
At 1 July 2018	2,545	7,631	-	-	10,176
Charge to profit or loss	306	2,769	-	-	3,075
Prior year current liability	305	968	116	77	1,466
Utilised in year	(695)	(4,003)	(116)	(40)	(4,854)
Reallocated to current liabilities	(120)	(2,488)	-	(37)	(2,645)
	<u>2,341</u>	<u>4,877</u>	<u>-</u>	<u>-</u>	<u>7,218</u>

Onerous lease and dilapidation provisions relate to commitments for leasehold on sites where activity has ceased and contracts under which the Company has contracted minimum volume requirements at port facilities. The provisions are expected to be utilised in accordance with the length of the corresponding contracts of up to 20 years.

The onerous lease provision has been discounted at a risk free rate of 0.82% (2018: 0.82%).  
The remaining provision has not been discounted as the impact would be immaterial

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**28. Share capital**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Authorised, allotted, called up and fully paid</b>		
50,000,000 (2018 - 50,000,000) Ordinary shares of £1.00 each	<b>50,000</b>	<b>50,000</b>

**29. Reserves****Profit and loss account**

The profit & loss account amounted to £152,800,000 at the year end (2018: £160,803,000).

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**30. Pension commitments**

The Company operates a defined contribution pension scheme.

The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1,567,000 (2018 - £1,388,000). Contributions totaling £279,112 (2018 - £252,006) were payable to the fund at the balance sheet date and are included in creditors.

The Company operates a Defined Benefit Pension Scheme.

The defined benefit scheme provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the respective companies, being invested as advised by independent pension fund advisers. Contributions are determined by a qualified independent actuary based on not more than triennial valuations using the attained age method. The combined contributions payable by the company and members will be 0% (2018: 0%) of payroll (of which an average of 0% (2018: 0%) is expected to be paid by members) plus additional contributions of £nil (2018: £100,000) per month. The pension was revalued on 9 July 2019 by XPS and Mercer.

Reconciliation of present value of plan liabilities:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Reconciliation of present value of plan liabilities</b>		
At the beginning of the year	<b>29,720</b>	31,418
Interest expense	-	789
Interest cost	<b>763</b>	-
Actuarial gains/losses	<b>3,257</b>	-
Actuarial (gains)/losses	-	(1,540)
Benefits paid	<b>(790)</b>	(947)
Past service cost	<b>346</b>	-
<b>At the end of the year</b>	<b>33,296</b>	29,720

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**30. Pension commitments (continued)**

Reconciliation of present value of plan assets:

	2019 £000	2018 £000
At the beginning of the year	33,243	32,417
Interest income	860	830
Actuarial gains/(losses)	962	(257)
Contributions	500	1,200
Benefits paid	(790)	(947)
<b>At the end of the year</b>	<b>34,775</b>	<b>33,243</b>

Composition of plan assets:

	2019 £000	2018 £000
Equities & Diversified Growth	15,655	19,372
Corporate Bonds	4,654	3,246
Gilts	11,818	8,185
Cash	2,648	2,440
<b>Total plan assets</b>	<b>34,775</b>	<b>33,243</b>

	2019 £000	2018 £000
Fair value of plan assets	34,775	33,243
Present value of plan liabilities	(33,296)	(29,720)
<b>Net pension scheme asset</b>	<b>1,479</b>	<b>3,523</b>

The amounts recognised in profit or loss are as follows:

	2019 £000	2018 £000
Interest on obligation	(763)	(789)
Interest income on plan assets	860	830
<b>Total</b>	<b>97</b>	<b>41</b>

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**30. Pension commitments (continued)**

The cumulative amount of actuarial gains and losses recognised in the Statement of Other Comprehensive Income was £NIL (2018 - £9,618,000)

The Company expects to contribute £NIL to its Defined Benefit Pension Scheme in 2020.

	2019 £000	2018 £000
<b>Analysis of actuarial (gain)/loss recognised in Other Comprehensive Income</b>		
Actual return less interest income included in net interest income	2,253	(854)
Changes in assumptions underlying the present value of the scheme liabilities	42	(429)
	2,295	(1,283)

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2019 %	2018 %
Discount rate	2.25	2.6
Rate of inflation (CPI)	2.20	2.1
Rate of increase to pensions in payment RPI max 5%	3.10	3.05
Rate of increase to pensions in payment RPI max 3%	2.50	2.45
Cash Commutation - 75% of members take the maximum tax-free cash	Yes	Yes
Mortality rates		
- for a male retiring now	22.5	21.9
- for a male retiring in 20 years	23.9	23.3
- for a female retiring now	24.7	23.8
- for a female retiring in 20 years	26.1	25.4

	One percentage point increase	One percentage point decrease
Price inflation	1.2%	-0.9%
Discount rate	-1.8%	1.8%

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**30. Pension commitments (continued)**

The pension was revalued on 9 July 2019 by XPS and Mercer.

**31. Commitments under operating leases**

At 30 June 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>2019</b>	<i>2018</i>
	<b>£000</b>	<i>£000</i>
Not later than 1 year	<b>7,742</b>	5,269
Later than 1 year and not later than 5 years	<b>18,885</b>	17,333
Later than 5 years	<b>18,013</b>	15,824
	<b>44,640</b>	38,426

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**32. Post balance sheet events****Dividends**

On the 26 September 2019 a dividend of €18m was received from Sims Group German Holdings and paid to Sims Group UK Holdings Limited.

On the 28 April 2020 a dividend of €35m was received from Sims Group German Holdings.

On the 15 June 2020 a dividend of £31m was paid to Sims Group UK Holdings Limited.

**Market changes**

In September 2019 there was a significant crash in prices in the Ferrous market, which was followed by a period where market volumes were subdued. This has had a significant impact on trading in the first half of year ending 30th June 2020. As a result the business has taken action to restructure leading to the closure of 11 sites, whilst expanding four other sites to create larger multi-functional sites. The business reported a statutory loss of £31.966m in the first 6 months, which included £12.069m relating to costs and provisions associated with the restructuring. The strategic restructure will result in a lowered operating costs base while maintaining operating capacity at close to FY19 levels.

**Business disposals**

During the half year ended 31 December 2019, the Group agreed to sell its European compliance scheme operations to TSR Recycling. The sale was effective as of 30 September 2019. The balances below are subject to final working capital and other completion audit adjustments. The estimated consideration and the carrying amount of the net assets at the date of disposal prior to any completion adjustments are as follows:

	A\$m
Initial sale price, net of cash sold	133.4
Net carrying value of disposed assets	<u>(135.8)</u>
Loss on business disposal	2.4
Transaction cost associated with disposal to date	<u>0.8</u>
Net loss on business disposal	<u>3.2</u>

**Brexit**

The impact of the UK leaving the European Union on 31st January 2020, has thus far had no noticeable impact on the trading of the business. During the transitional period there has been very little change to the business environment as a result of Brexit.

**Covid-19**

The global economic impact of COVID-19 is significant. Sims core markets continued to function relatively normally until the lockdown of the UK in late March 2020. The lockdown significantly impacted on the scrap metal industry, as a result Sims closed to incoming material in late March and focused on clearing existing stocks to fulfil existing sales contracts. In late April, a number of Sims larger sites opened to intake material. In April, volumes available in the market were initially running at around 25% of normal levels, but have grown in May towards 40%. Intake is expected to grow steadily as UK industry gets back to work over the coming months and Sims will open its sites as and when the growth demands. It is acknowledged that there is a level of uncertainty as to how the situation will evolve and therefore Sims is taking co-ordinated action both in the UK and globally to position the business to withstand any future turbulence, but also to be well placed to benefit once the crisis abates.

The company has taken advantage of the governments Job Retention Scheme with 67% of the workforce furloughed in April, this had reduced to 50% by May.

**Deferred tax**

During June 2020 management have taken the decision to fully impair the deferred tax asset disclosed in note 26, being a value of £23.75m as at June 2019. This is due to worsening market conditions and management revising forecasts in light of the UK restructuring mentioned above in Q2 2020 and the

**SIMS GROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**32. Post balance sheet events (continued)**

ongoing risk associated with Covid-19 on the global economy. As the above factors were not apparent as at the year end date, the impact has been classified as a non-adjusting post balance sheet event, therefore none of the asset values as at 30 June 2019 have been adjusted accordingly.

As all of the above were after the year end date, the impact has been classified as non-adjusting post balance sheet events, therefore no asset values have been adjusted for accordingly.

**33. Controlling party**

The immediate parent company is Sims Group UK Holdings Limited, a company incorporated in England and Wales. The ultimate parent undertaking and controlling party is Sims Limited (formerly Sims Metal Management Limited), a company incorporated in Australia, which is the largest and smallest group to consolidate these financial statements. Copies of the group financial statements can be obtained from the Company Secretary at Sir Joseph Banks Corporate Park, Suite3, Level 2, 32-34 Lord Street, Botany, NSW 2019, Australia, which is also the registered address of the largest and smallest group company which results consolidate into.

**34. New accounting standards**

**IFRS15 Revenue from Contracts with Customers**

The Company has adopted IFRS15 from 1 July 2018 which resulted in changes in accounting policies. The core principal of IFRS15 is that an entity recognises revenue related to the transfer of goods or services when control of the goods and services passes to the customer. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled to receive, in exchange for those goods or services.

Specifically, IFRS15 introduces a five step approach to revenue recognition which the Company has adopted:

1. identify the contract(s) with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations; and
5. recognise revenue when (or as) the entity satisfies a performance obligation.

In relation to step 5, an assessment is performed as to whether control of the goods transfer to a customer over time or at a point in time. For a performance obligation satisfied at a point in time, revenue is recognised when the customer obtains control of the goods or service. In most instances control passes, and revenue is recognised, in line with contract terms and intercotermns at the point in time when the goods are loaded on a vessel, delivered to the customer or the service performed. The Company has updated its accounting policies to reflect the terminology utilised in the new standard and the impact on the various revenue product streams.

There may be circumstances when judgment is required based on the five indicators of control below:  
the entity has a present right to payment;  
the customer has legal title;  
the customer has physical possession;  
the customer has significant risks and rewards of ownership; and  
the customer has accepted the asset

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The Company disaggregated its revenue streams into export ferrous, domestic ferrous, export non-ferrous, domestic non-ferrous, recycling solutions, and secondary processing and other services, when assessing the impact of IFRS15. The Company sells a significant portion of its export ferrous material on cost & freight or cost, insurance and freight Intercoterms. Under these arrangement, revenue from the sale of goods is recognised prior to when the vessel arrives as the destination port as control has passed and performance obligations have been met. A material portion of the Company's ferrous bulk cargo sales arrangements specify that title passes once material has been loaded onto a vessel (ie passed the ships rail). These sales are primarily sold on a letter of credit basis.

In certain instances, the Company is responsible for providing shipping services, primarily freight, as a separate performance obligation relating to sale of goods transaction. These shipping services would not conclude until after the date at which control of the goods passes to the customer. Under IFRS 18 Revenue, The Company recognised such shipping revenue and associated costs upon loading the material based upon the contractual price. Under IFRS15, the Company is required to recognise such shipping revenue over time depending on the term of the contract.

In domestic ferrous, domestic non-ferrous and export non-ferrous sales, revenue is recognised when control passes and performance obligations are satisfied. According to the specific contract terms, control of the goods will pass to the customer at the point in time when the goods are loaded in a container, delivered to the customer or cash is received as that is the point in time the original bills of lading are passed to the buyer and title is transferred.

Contract terms are determined based upon customer, product and/or destination and are typically sold on a cash in advance, deposit, letter of credit or open credit basis.

For certain export non-ferrous sales, the performance obligation is predicated on delivery and acceptance of goods based on the terms of the original transactional contract. These contracts contain provisional pricing clauses whereby the final price payable reflects market pricing at settlement date. The right to receive payment from the customer is unconditional as of the acceptance date at the Company has satisfied their performance obligations at acceptance date through the transfer of control and nothing other than the passage of time needs to occur before payment of the consideration is due. Changes in market price do not impact the Company's right to receive payment and are typically hedged by the Company with the impact flowing through other income or other expense as presented in note 6 and 7.

For recycling solutions, service revenue is recognised based upon completion of the agreed performance obligations, including services such as hard disk cleansing and data capture and reporting. These performance obligations are based upon amount collected, processed and/or on a time basis amongst other contractual terms. For precious metals reclaimed, revenue is recognised upon completion and agreement of an assay, and when price and quantity can be determined and acceptance is finalised. Contractual terms can involve a deposit received in advance for which revenue is deferred until performance obligations are satisfied.

The transition provisions in IFRS15 require companies to adopt the new rules retrospectively. the Company adopted the modified transactional approach to implementation where any transitional adjustment are recognised in retained earnings at 1 July 2018, The date of implementation of the standard, without restatement for prior balances. IFRS15 was only applied to contracts that were in force at the transition date.

Following a comprehensive review of revenue recognised in the comparative period, the Company has determined that IFRS15 had no material impact on revenue recognised. As the only impact stemming from adoption of the new standard is related to shipping revenue, of which Sim's takes no margin, there is no impact on the prior year earnings. Therefore, there are no adjustments or restatements of comparative information in the current year in relation to the new standard.

#### **IFRS 9 Financial Instruments**

The standard introduces new requirements for the classification, measurement and derecognition of

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financial assets and financial liabilities and sets out new hedge accounting requirements. The objective of IFRS9 is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows.

The new requirements for IFRS9 can be grouped into:

1. classification and measurement of financial assets and liabilities
2. impairment for financial assets, including a transition to expected credit losses for financial asset impairment considerations and
3. introduction of new general hedge accounting requirements.

The Company adopted IFRS9 on 1 July 2018. The Company undertook an assessment of the classification and measurement impacts of the new standard and noted the following impacts:

The new standard is based on the concept that financial assets should be classified and measured at fair value, with changes in fair value recognised in the profit & loss as they arise (FVPL), unless restrictive criteria are met for classifying and measuring the asset at either amortised cost or fair value through other comprehensive income.

The standard does not have a significant impact on the classification of financial assets or liabilities as the Company does not hold material financial assets or liabilities at FVPL. The financial assets or liabilities held at FVPL are fair value hedges.

IFRS9 allows more financial exposures to be hedged and established new criteria for hedge accounting that are somewhat less complex and more aligned with the way that entities manage their risks other than under IAS39. Certain derivative instruments, including the Company's forward commodity contracts, do not qualify for hedge accounting despite being valid economic hedges of the relevant risk despite the updated requirements for hedge accounting.

Accordingly, any changes in fair value of the derivative instrument will continue to be recognised immediately in profit or loss and included in other income or other expense. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges will continue to be recognised in other comprehensive income and accumulated in the hedge reserve in equity.

The new standard replaces the 'incurred loss' model in IAS39 with a forward-looking expected credit losses (ECL) model. Under the ECL model, which is available for trade receivables which do not contain a significant financing component, an entity calculates the allowance for credit losses by considering, on a discounted basis, the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The Company has mechanisms in place to mitigate credit risk such as trade credit insurance and credit ratings.

The mitigating factors in place have, in part, allowed the Company to historically incur insignificant or limited losses as compared to trade receivables. The Company notes the impact of the ECL model is immaterial.

The Company has assessed its accounting policy to consider the historical losses seen by customer group to ensure that the provision for impairment of receivables is appropriate under the new standard and noted no material changes to policy.