

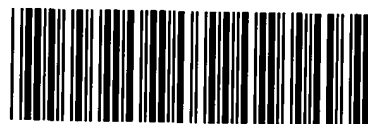
Registered number: 03242331

SIMS GROUP UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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SIMS GROUP UK LIMITED

COMPANY INFORMATION

Directors	M I Saunders S M Skurnac D M Williams P M Wright P R Bird (resigned 17 October 2016)
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
Solicitors	Eversheds Sutherland 115 Colmore Row Birmingham West Midlands B3 3AL

SIMS GROUP UK LIMITED

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SIMS GROUP UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2017

Introduction

The directors present their strategic report on the Company for the year ended 30 June 2017.

Business review

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

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, interest rate risk and capital risk. These risks are discussed in the section of this report dealing with financial instruments and risk management.

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:

	2017	2016
Revenue from continuing operations (£million)	578	396
EBITDA before restructuring result from continuing operations (£million)	29	11
Operating profit before restructuring result from continuing operations (£million)	21	(18)
Operating profit before restructuring result as a percentage of turnover from continuing operations (%)	3	1

This report was approved by the board on 29 March 2018 and signed on its behalf.


M I Saunders
Director

SIMS GROUP UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2017

The directors present their annual report and the audited financial statements for the year ended 30 June 2017.

Directors' responsibilities statement

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

Company law requires the directors to prepare audited 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 and 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 audited 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; and
- prepare the audited 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 audited 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 £81,991 thousand (2016 - loss of £18,243 thousand).

The Company received dividends during the year of £36,570 thousand (2016:£nil) and paid dividends during the year of £15,618 thousand (2016:£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
P R Bird (resigned 17 October 2016)

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.

SIMS GROUP UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

Political contributions

There were no political donation made during the year (2016:£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.

Financial instruments and risk management

The Company's operations expose it to a variety of financial risks that include 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 currency 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 counterparties for its forward foreign exchange contracts. Counterparties 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 and non-ferrous metals and precious metals, which are at times volatile. The Company seeks to mitigate commodity price risk by seeking to turn 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 expansions.

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 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.

SIMS GROUP UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

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 2017 were 45 days (2016: 55 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.

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.

Matters covered in the strategic report

Details of key performance indicators, principal risks and uncertainties and the use of financial instruments are disclosed in the Strategic report.

Going concern

The Company is in a net asset position of £186m (2016: £120m). The Company meets its day-to-day working capital requirements through its bank facilities. 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. After making enquiries, the directors have a reasonable expectation that the Company and wider Group have 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.

SIMS GROUP UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2017**

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 the Companies Act 2006.

Post balance sheet events

On 26 February 2018 the Company received dividends of €3,000,000 from its subsidiary undertaking Mirec BV.
On 27 February 2018 the Company received dividends of €12,000,000 from its subsidiary undertaking Sims Group German Holdings GmbH.

On 1 March 2018 the Company received dividends of SEK10,000,000 from its subsidiary undertaking Sims Recycling Solutions AB.

On 1 March 2018 the Company received dividends of €30,000 from its subsidiary undertaking Sims Recycling Solutions NV.

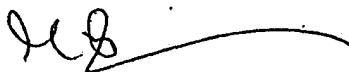
On 1 February 2018 the Company acquired the assets of William Firth & Son Limited for £1,500,000.

On 7 March 2018 the Company acquired the business of Kaystan Holdings Limited for £32,000,000.

Auditors

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board on 29 March 2018 and signed on its behalf.



**M I Saunders
Director**

Independent auditor's report to the members of Sims Group UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 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 of Sims Group UK Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- 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 auditor's 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 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 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 auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's 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 auditor's 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.

Report on other legal and regulatory requirements

Opinions 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.



Peter Gallimore FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham

United Kingdom

Date: 29 March 2018

SIMS GROUP UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	Continuing operations 2017 £000	Discontin'd operations 2017 £000	Total 2017 £000	Continuing operations 2016 £000	Discontinued operations 2016 £000	Total 2016 £000
Turnover	5	578,435	-	578,435	396,233	-	396,233
Cost of sales		(480,484)	-	(480,484)	(335,123)	-	(335,123)
Gross profit		97,951	-	97,951	61,110	-	61,110
Distribution costs		(45,339)	-	(45,339)	(30,837)	-	(30,837)
Administrative expenses		(34,258)	-	(34,258)	(26,731)	-	(26,731)
Exceptional administrative expenses		1,568	-	1,568	(22,694)	2,257	(20,437)
Other operating income	6	796	-	796	723	-	723
Operating profit/(loss)	7	20,718	-	20,718	(18,429)	2,257	(16,172)
Income from shares in group undertakings		36,570	-	36,570	-	-	-
Interest receivable and similar income	11	18	-	18	129	-	129
Interest payable and expenses	12	(815)	-	(815)	(1,944)	-	(1,944)
Other finance income		34	-	34	10	-	10
Profit/(loss) before tax		56,525	-	56,525	(20,234)	2,257	(17,977)
Tax on profit/(loss)	14	25,466	-	25,466	(266)	-	(266)
Profit/(loss) for the financial year		81,991	-	81,991	(20,500)	2,257	(18,243)
Other comprehensive income/(loss):							
Items that will not be reclassified to profit or loss:							
Actuarial loss on defined benefit schemes				(770)			(400)

SIMS GROUP UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2017

Movements of
deferred tax
relating to
pension surplus

1,346

72

576

(328)

**Total
comprehensive
income for the
year**

82,567

(18,571)

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

SIMS GROUP UK LIMITED
REGISTERED NUMBER: 03242331

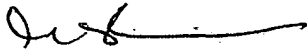
BALANCE SHEET
AS AT 30 JUNE 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible assets	18	43,088	46,204
Investments	19	57,469	57,471
		<u>100,557</u>	<u>103,675</u>
Current assets			
Stocks	20	56,289	41,959
Debtors: amounts falling due after more than one year	21	27,209	-
Debtors: amounts falling due within one year	21	51,380	61,079
Cash at bank and in hand	22	31,874	6,798
		<u>166,752</u>	<u>109,836</u>
Creditors: amounts falling due within one year	23	(63,860)	(69,158)
Net current assets		<u>102,892</u>	<u>40,678</u>
Total assets less current liabilities		<u>203,449</u>	<u>144,353</u>
Creditors: amounts falling due after more than one year	24	(872)	(2,200)
		<u>202,577</u>	<u>142,153</u>
Provisions for liabilities			
Deferred taxation	27	-	(97)
Other provisions		(16,802)	(22,766)
		<u>(16,802)</u>	<u>(22,863)</u>
Net assets excluding pension asset		<u>185,775</u>	<u>119,290</u>
Pension asset		999	535
Net assets		<u>186,774</u>	<u>119,825</u>
Capital and reserves			
Called up share capital	29	50,000	50,000
Profit and loss account	30	136,774	69,825
		<u>186,774</u>	<u>119,825</u>

SIMS GROUP UK LIMITED
REGISTERED NUMBER: 03242331

BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2017

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 March 2018.



M I Saunders
Director

The notes on pages 15 to 47 form part of these financial statements.

SIMS GROUP UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 July 2016	50,000	69,825	119,825
Comprehensive income for the year			
Profit for the year	-	81,991	81,991
Actuarial gains on pension scheme	-	576	576
Other comprehensive income for the year	-	576	576
Total comprehensive income for the year	-	82,567	82,567
Dividends: Equity capital	-	(15,618)	(15,618)
Total transactions with owners	-	(15,618)	(15,618)
At 30 June 2017	50,000	136,774	186,774

SIMS GROUP UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 July 2015	231,715	(188,319)	43,396
Comprehensive income for the year			
Loss for the year	-	(18,243)	(18,243)
Actuarial losses on pension scheme	-	(328)	(328)
Other comprehensive income for the year	-	(328)	(328)
Total comprehensive income for the year	-	(18,571)	(18,571)
Purchase of own shares	-	276,715	276,715
Shares issued during the year	95,000	-	95,000
Shares cancelled during the year	(276,715)	-	(276,715)
Total transactions with owners	(181,715)	276,715	95,000
At 30 June 2016	50,000	69,825	119,825

The notes on pages 15 to 47 form part of these financial statements.

SIMS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 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 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 address of the parent Company preparing consolidated accounts is Sir Joseph Banks 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 4).

Historical cost convention has been used except for the revaluation of certain properties, financial instruments and investment property 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 another valuation technique. In estimating the fair value of an asset or a 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 IAS 2 or value in use in IAS 36.

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 measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- 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:

SIMS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

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 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.3 Going concern

The Company is in a net asset position of £186m (2016: £120m). The Company meets its day-to-day working capital requirements through its bank facilities. 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. After making enquiries, the directors have a reasonable expectation that the Company and wider Group have 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2. Accounting policies (continued)

2.4 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:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Other income

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

2.6 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.

Amortisation is recognised on a straight line basis over their estimated useful lives.

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2. Accounting policies (continued)

2.7 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 probably 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.

2.8 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.

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.

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2. Accounting policies (continued)

2.9 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.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Impairment reviews are carried out annually to consider the underlying value of the investments against their carrying value in the balance sheet.

2.11 Stocks

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. 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.

2.12 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.

2.13 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 2017**

2. Accounting policies (continued)**2.14 Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as derivatives held at fair value through profit or loss.

Fair value through profit or loss

This category comprises only in-the-money derivatives. These are carried in the Balance Sheet at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

Financial liabilities**2.15 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.

2.16 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 2017**

2. Accounting policies (continued)

2.17 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'.

2.18 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.

2.19 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. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2. Accounting policies (continued)

3. 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\$ 9.84 per share.

3.1 Operating leases: the Company as lessor

Rentals income from operating leases is credited to the Statement of Comprehensive Income on a straight line basis over the term of the relevant lease.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

3.2 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2. Accounting policies (continued)

3.3 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 FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate 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.

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2. Accounting policies (continued)

3.4 Interest income

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

3.5 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.

3.6 Current and deferred 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.

Deferred tax balances are recognised in respect of all 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 taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the 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.

3.7 Exceptional items

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

4. 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 judgements, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

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.

Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the estimation of future cash flows expected to arise from the investments and apply suitable discount rates in order to calculate present values.

Pension benefits

The cost of a defined benefit pension plan and the value of the present obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, these include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to these assumptions. All assumptions are reviewed at each reporting date. Additional information is given in note 30.

Revenue recognition

The company sells scrap metal to international customers on a free on board basis using third party shipping companies and port facilities. The timing of revenue recognition requires management to make a judgement on whether the customer has legally taken delivery of goods. In making its judgement to recognise revenue, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods.

Deferred tax

The measurement of deferred tax assets and liabilities requires management to make assumptions and estimates. Besides interpreting tax provisions applicable to the Company, the calculation of deferred tax assets on temporary differences and unused tax losses depends in particular on an appraisal of whether the company will generate sufficient taxable profits in the future.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

4. Judgments in applying accounting policies (continued)

Net realisable value of inventory

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 current assessments of future demand and market conditions. Impairment losses may be recognised on inventory if management needs to revise its estimates of net realisable value in response to changing market conditions.

Onerous contract provisions

Present obligations arising under onerous contracts are recognised and measured as provisions. Measurement of the provisions involves management estimation of the value and timing of future cash flows that shall be required to meet the obligations and determination of the discount rate to apply. Due to their long term nature and level of estimation on the timing and value of related cash flows, onerous contract provisions are highly sensitive to changes in underlying assumptions.

5. Turnover

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

	2017 £000	2016 £000
Metals recycling	554,891	372,087
Recycling solutions	23,544	24,146
	<u>578,435</u>	<u>396,233</u>

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	106,244	98,003
Rest of the world	472,191	298,230
	<u>578,435</u>	<u>396,233</u>

6. Other operating income

	2017 £000	2016 £000
Government grants receivable	87	411
Sundry income	199	86
Profit on disposal of tangible assets	510	226
	<u>796</u>	<u>723</u>

SIMS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

7. Operating profit/(loss)

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

	2017 £000	2016 £000
Research & development charged as an expense	858	715
Depreciation of tangible fixed assets	7,273	7,159
Impairment of tangible fixed assets	(80)	(4,266)
Amortisation of intangible assets, including goodwill	-	90
Exchange differences	(1,658)	3,970
Share based payments	652	150
Defined contribution pension cost	1,270	1,189
Defined benefit pension cost	(34)	(470)
Cost of stocks recognised as an expense	389,637	251,866
Government grants	(87)	(411)
	<u>397,831</u>	<u>259,992</u>

8. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2017 £000	2016 £000
Fees for the audit of the Company	184	201
	<u>184</u>	<u>201</u>

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.

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

9. Employees

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

	2017 £000	2016 £000
Wages and salaries	24,777	24,222
Social security costs	2,654	2,455
Cost of defined benefit scheme	-	(470)
Cost of defined contribution scheme	1,270	1,189
	<u>28,701</u>	<u>27,396</u>

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

	2017 No.	2016 No.
Production	482	484
Selling and administration	160	146
Management	130	149
	<u>772</u>	<u>779</u>

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

10. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	821	2,000
Amounts receivable under long-term incentive schemes	107	150
Company contributions to defined contribution pension schemes	58	62
	<u>986</u>	<u>2,212</u>

During the year retirement benefits were accruing to 3 directors (2016 - 3) in respect of defined contribution pension schemes.

During the year retirement benefits were accruing to no directors (2016 - 1) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £398 thousand (2016 - £876 thousand).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £21 thousand (2016 - £NIL).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £NIL (2016 - £NIL).

The total accrued pension provision of the highest paid director at 30 June 2017 amounted to £NIL (2016 - £NIL).

11. Interest receivable

	2017 £000	2016 £000
Interest receivable from group companies	7	81
Other interest receivable	11	48
	<u>18</u>	<u>129</u>

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

12. Interest payable and similar charges

	2017 £000	2016 £000
Bank interest payable	678	1,641
Loans from group undertakings	40	63
Finance leases and hire purchase contracts	43	38
Other interest payable	54	202
	<u>815</u>	<u>1,944</u>

13. Other finance costs

	2017 £000	2016 £000
Interest income on pension scheme assets	915	1,082
Net interest on net defined benefit liability	(881)	(1,072)
	<u>34</u>	<u>10</u>

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

14. Taxation

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	210	-
Adjustments in respect of previous periods	(44)	(12)
	166	(12)
Total current tax	166	(12)
Deferred tax		
Origination and reversal of timing differences	1,155	2,726
Changes to tax rates	1,361	11
Losses	2,484	(1,340)
Change in unrecognised deferred tax assets	2	(1,378)
Recognition of deferred tax assets	(30,836)	-
Share bases compensation	(45)	(8)
Pension cost relief below pension cost charge	247	267
Total deferred tax	(25,632)	278
Taxation on (loss)/profit on ordinary activities	(25,466)	266

SIMS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

14. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - higher than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit/(loss) on ordinary activities before tax	56,526	(17,977)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2016 - 20%)	11,164	(3,596)
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	71	18
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	27	889
Recognition of deferred tax assets	(30,860)	-
Adjustments to tax charge in respect of prior periods	(44)	(12)
Short term timing difference leading to an increase (decrease) in taxation	1,416	-
Non-taxable income	(4,188)	(128)
Losses not recognised	(3,085)	3,385
Other differences leading to an increase (decrease) in the tax charge	33	(290)
Total tax charge for the year	(25,466)	266

Factors that may affect future tax charges

The standard rate of tax applied to reported profit is 19.75% (2016: 20%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2016 on 6 September 2016, and it provided for a reduction in the main rate of corporation tax rate from 20% to 17% effective 1 April 2020. We will continue to use 19% tax rate for deferred tax purposes due to the expected reversal of some of the timing differences in the foreseeable future.

15. Dividends

	2017 £000	2016 £000
Dividends paid	15,618	-
	15,618	-

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

16. Exceptional items

	2017 £000	2016 £000
Restructuring result	(1,568)	20,437
	<u>(1,568)</u>	<u>20,437</u>

17. Goodwill

	2017 £000
Cost	
At 1 July 2016	73,075
At 30 June 2017	<u>73,075</u>
Amortisation	
At 1 July 2016	73,075
At 30 June 2017	<u>73,075</u>
Net book value	
At 30 June 2017 and 2016	<u>-</u>

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

18. Tangible fixed assets

	Freehold property £000	Long-term leasehold property £000	Plant and machinery £000	Other fixed assets £000	Total £000
Cost or valuation					
At 1 July 2016	18,411	24,133	116,410	3,607	162,561
Additions	2,616	1,278	4,152	-	8,046
Disposals	(4,483)	(98)	(3,185)	-	(7,766)
Transfers between classes	(1,507)	1,313	(48)	242	-
Register review	1,253	(10,174)	(16,062)	(70)	(25,053)
At 30 June 2017	16,290	16,452	101,267	3,779	137,788
Depreciation					
At 1 July 2016	4,100	18,637	93,620	-	116,357
Charge for the year on owned assets	345	841	5,182	-	6,368
Charge for the year on financed assets	-	-	905	-	905
Disposals	(703)	(96)	(3,159)	-	(3,958)
Transfers between classes	(4)	(7)	11	-	-
Impairment charge	-	2	78	-	80
Register review	1,196	(8,432)	(17,816)	-	(25,052)
At 30 June 2017	4,934	10,945	78,821	-	94,700
Net book value					
At 30 June 2017	11,356	5,507	22,446	3,779	43,088
At 30 June 2016	14,311	5,496	22,790	3,607	46,204

Impact of register review

The business has performed a review of the fixed asset register and has made adjustments to both cost and accumulated depreciation based on this review. There is no impact on the overall net book value of these assets as of the prior year or current year.

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

18. Tangible fixed assets (continued)

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

	2017 £000	2016 £000
Plant and machinery	1,613	2,518
	1,613	2,518

19. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 July 2016	115,593
Disposals	(2)
At 30 June 2017	115,591
Impairment	
At 1 July 2016	58,122
At 30 June 2017	58,122
Net book value	
At 30 June 2017	57,469
At 30 June 2016	57,471

Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Sims Recycling Solutions Austrian Holdings GmbH	Ordinary	100 %	Holding Company

SIMS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

19. Fixed asset investments (continued)

Sims Group Recycling Solutions Canada Ltd	Ordinary	100 %	Electronic Scrap Recycling
Sims Lifecycle Services s.r.o	Ordinary	90 %	Electronic Scrap Recycling
Sims Recycling Solutions FZE	Ordinary	100 %	Electronic Scrap Recycling
Sims Group German Holdings GmbH	Ordinary	100 %	Holding Company
Mirec BV	Ordinary	100 %	Electronic Scrap Recycling
Sims Recycling Solutions Cooperatief	Ordinary	100 %	
Sims Lifecycle Services BV	Ordinary	100 %	Electronic Scrap Recycling
Sims Recycling Solutions Sp. z o.o	Ordinary	100 %	Electronic Scrap Recycling
Sims Recycling Solutions AB	Ordinary	100 %	Electronic Scrap Recycling
Sims Recycling Solutions Holdings Inc.	Ordinary	100 %	Electronic Scrap Recycling
Cooper Metal Recycling Limited	Ordinary	100 %	Dormant
Deane Wood Export Limited	Ordinary	100 %	Dormant
Dunn Brothers (1995) Limited	Ordinary	100 %	Dormant
Sims Metal Management UK Limited	Ordinary	100 %	Dormant
Sims Recycling Solutions Limited	Ordinary	100 %	Dormant
United Castings Limited	Ordinary	100 %	Dormant

Indirect Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Sims Recycling Solutions Austrian Intermediate Holdings GmbH	Ordinary	100 %	Holding Company
Sims Metrade GmbH	Ordinary	99.8 %	Electronic Scrap Recycling
Sims Recycling Solutions NV	Ordinary	99 %	Electronic Scrap Recycling
Sims M+R GmbH	Ordinary	100 %	Scrap Metal Recycling
Sims Lifecycle Services GmbH	Ordinary	100 %	Electronic Scrap Recycling
Sims Recycling Solutions AS	Ordinary	100 %	Electronic Scrap Recycling
Sims Recycling Solutions Inc	Ordinary	100 %	Electronic Scrap Recycling
Converge Engineering LLC	Ordinary	100 %	Dormant

Name	Registered office
Sims Recycling Solutions Austrian Holdings GmbH	Industriestrasse 2, A-7052 Müllendorf, Austria
Sims Group Recycling Solutions Canada Ltd	1200-999 West Hastings Street, Vancouver, Canada
Sims Lifecycle Services s.r.o	Hviezdoslavova 53, 62700 Brno-Slatina
Sims Recycling Solutions FZE	Warehouse No. RA08YC05, Jebel Ali, Dubai, United Arab Emirates
Sims Group German Holdings GmbH	Rathenaustraße 10, 59192 Bergkamen, Germany
Mirec BV	Hastelweg 251, 5652CV, Eindhoven, Netherlands

SIMS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

19. Fixed asset investments (continued)

Sims Recycling Solutions Cooperatief	Hastelweg 251, 5652CV, Eindhoven, Netherlands
Sims Lifecycle Services BV	Waarderweg 60, 2031 BP Haarlem
Sims Recycling Solutions Sp. z.o.o	Bydgoszcz (85-463), ul. Lakowa 79, Poland
Sims Recycling Solutions AB	Karoserigatan 6 641 51 Katrineholm Sweden
Sims Recycling Solutions Holdings Inc.	Illinois Corporation Service Company, 801 Adlai Stevenson Drive, Springfield, IL 62703
Cooper Metal Recycling Limited	Long Marston, Warwickshire United Kingdom, CV37 8AQ, England and Wales
Deane Wood Export Limited	Long Marston, Warwickshire United Kingdom, CV37 8AQ, England and Wales
Dunn Brothers (1995) Limited	Long Marston, Warwickshire United Kingdom, CV37 8AQ, England and Wales
Sims Metal Management UK Limited	Long Marston, Warwickshire United Kingdom, CV37 8AQ, England and Wales
Sims Recycling Solutions Limited	Irongray Business Park, Lochside Industrial Estate, Dumfries, DG2 0NR, Scotland
United Castings Limited	Long Marston, Warwickshire United Kingdom, CV37 8AQ, England and Wales
Sims Recycling Solutions Austrian Intermediate Holdings GmbH	Industriestrasse 2, A-7052 Müllendorf, Austria
Sims Metrade GmbH	Industriestrasse 2, A-7052 Müllendorf, Austria
Sims Recycling Solutions NV	Europark Noord 32 9100 Sint-Niklaas, Belgium
Sims M+R GmbH	Rathenaustraße 10, 59192 Bergkamen, Germany
Sims Lifecycle Services GmbH	Im Weiherfeld 25, D-65462 Ginsheim-Gustavsburg, Germany
Sims Recycling Solutions AS	Løytnant Dons, vei 4 1630 Gamle, Fredrikstad, Norway
Sims Recycling Solutions Inc	Illinois Corporation Service Company, 801 Adlai Stevenson Drive, Springfield, IL 62703
Converge Engineering LLC	Illinois Corporation Service Company, 801 Adlai Stevenson Drive, Springfield, IL 62703

20. Stocks

	2017 £000	2016 £000
Raw materials and consumables	5,354	4,530
Finished goods and goods for resale	50,935	37,429
	<u>56,289</u>	<u>41,959</u>

Replacement costs of stock

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

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

21. Debtors

	2017 £000	2016 £000
Due after more than one year		
Deferred tax asset	27,209	-
	27,209	-
Due within one year		
Trade debtors	30,474	48,918
Amounts owed by group undertakings	6,300	4,769
Other debtors	11,789	4,225
Prepayments and accrued income	2,680	2,718
Financial instruments	137	449
	51,380	61,079

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

22. Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	31,874	6,798
	31,874	6,798

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

23. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	50,555	48,895
Amounts owed to group undertakings	1,189	10,940
Corporation tax	210	-
Other taxation and social security	988	881
Obligations under finance lease and hire purchase contracts	884	884
Provisions	2,363	-
Other creditors	3,835	677
Accruals and deferred income	3,836	3,411
Financial instruments	-	3,470
	63,860	69,158

24. Creditors: Amounts falling due after more than one year

	2017 £000	2016 £000
Net obligations under finance leases and hire purchase contracts	770	1,655
Trade creditors	102	545
	872	2,200

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

25. Hire purchase and finance leases

Future minimum lease payments for:

	2017 £000	2016 £000
Within one year	884	884
Between 2-5 years	770	1,655
	<u>1,654</u>	<u>2,539</u>

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

	2017 £000	2016 £000
Within one year	897	884
Between 2-5 years	752	1,649
	<u>1,649</u>	<u>2,533</u>

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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26. Financial instruments

	2017 £000	2016 £000
Financial assets		
Financial assets measured at fair value through profit or loss	32,011	7,247
Financial assets that are debt instruments measured at amortised cost	48,564	57,911
	<u>80,575</u>	<u>65,158</u>
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	-	(3,470)
Financial liabilities measured at amortised cost	(55,346)	(63,004)
	<u>(55,346)</u>	<u>(66,474)</u>

Financial assets measured at fair value through profit or loss comprise hedged time options and bank and cash balances.

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

Derivative financial liabilities measured at fair value through profit or loss held as part of a trading portfolio comprise hedged time options.

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

27. Deferred taxation

	2017 £000	2016 £000
At beginning of year	(97)	109
Charged to profit or loss	25,729	(267)
Charged to other comprehensive income	1,346	72
Arising on business combinations	-	(11)
Utilised in year	231	-
At end of year	<u>27,209</u>	<u>(97)</u>

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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27. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	8,948	-
Tax losses carried forward	18,566	-
Pension surplus	(855)	(97)
Other timing differences	550	-
	<u>27,209</u>	<u>(97)</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.

28. Provisions

	Dilapidations	Onerous lease	Reorganisation	Holiday pay	Total
	£000	£000	£000	£000	£000
At 1 July 2016	3,201	19,404	69	92	22,766
Charged to profit or loss	(499)	(3,615)	102	(15)	(4,027)
Utilised in year	622	(41)	(155)	-	426
Reallocated to current liabilities	(336)	(1,935)	(16)	(77)	(2,364)
	<u>2,988</u>	<u>13,813</u>	<u>-</u>	<u>-</u>	<u>16,801</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% (2016: 0.67%).
The remaining provisions have not been discounted as the impact would be immaterial.

29. Share capital

	2017 £000	2016 £000
Shares classified as equity		
Authorised, allotted, called up and fully paid		
50,000,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

29. Share capital (continued)**30. Reserves****Profit and loss account**

The profit & loss account amounted to £136,774,000 at the year end (2016: £69,825,000).

31. Pension commitments

The Company operates a defined contributions 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 £1,278,214 (2016 - £1,209,796). Contributions totalling £228,079 (2016 - £183,810) 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% (2016: 15.5%) of payroll (of which an average of 0% (2016: 4.8%) is expected to be paid by members) plus additional contributions of £100,000 (2016: £70,000) per month.

A full actuarial valuation of the defined benefit scheme was carried out at 6 April 2012 and updated to 30 June 2017 by a qualified independent actuary. The service cost has been calculated using the Projected Unit method. The scheme is now closed to new entrants.

Reconciliation of present value of plan liabilities:

	2017 £000	2016 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	29,607	28,953
Current service cost	-	139
Interest income	881	1,072
Actuarial gains/losses	3,358	924
Contributions	-	51
Benefits paid	(2,428)	(935)
Past service cost	-	(597)
At the end of the year	31,418	29,607

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

31. Pension commitments (continued)

	2017 £000	2016 £000
At the beginning of the year	30,142	28,407
Interest income	915	1,082
Actuarial gains/losses	2,588	524
Contributions	1,200	1,064
Benefits paid	(2,428)	(935)
At the end of the year	32,417	30,142

Composition of plan assets:

	2017 £000	2016 £000
Equities & Diversified Growth	22,186	23,966
Corporate Bonds	3,218	5,810
Gilts	2,336	-
Cash	4,677	366
Total plan assets	32,417	30,142

	2017 £000	2016 £000
Fair value of plan assets	32,417	30,142
Present value of plan liabilities	(31,418)	(29,607)
Net pension scheme asset	999	535

The amounts recognised in profit or loss are as follows:

	2017 £000	2016 £000
Interest on obligation	(881)	(1,072)
Interest income on plan assets	915	1,082
Total	34	10

SIMS GROUP UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

31. Pension commitments (continued)

The cumulative amount of actuarial gains and losses recognised in the Statement of Other Comprehensive Income was £10,901,000 (2016 - £10,131,000).

The Company expects to contribute £1,200,000 to its Defined Benefit Pension Scheme in 2018.

	2017 £000	2016 £000
Analysis of actuarial loss recognised in Other Comprehensive Income		
Actual return less interest income included in net interest income	3,956	2,549
Changes in assumptions underlying the present value of the scheme liabilities	(3,186)	(2,149)
	<u>770</u>	<u>400</u>

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

	2017 %	2016 %
Discount rate	2.55	3.1
Rate of inflation (CPI)	2.4	2.15
Rate of increase to pensions in payment RPI max 5%	3.1	2.9
Rate of increase to pensions in payment RPI max 3%	2.5	2.35
Cash Commutation - 75% of members take the maximum tax-free cash	Yes	Yes
Mortality rates		
- for a male aged 65 now	22.2	22.4
- at 65 for a male aged 45 now	23.9	24.8
- for a female aged 65 now	24.1	24.5
- at 65 for a female member aged 45 now	25.9	26.8

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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31. Pension commitments (continued)

The actuarial assumptions for life expectancy adopted at 30 June 2017 reflect the expectations of longevity broadly consistent with the 2012 actuarial valuation, specifically the PA92 "medium cohort" mortality tables.

The assumption as at 30 June 2017 has been updated to reflect the expectations of longevity consistent with those agreed for the 2015 valuation. For males 115% of PNMA00 'medium cohort' tables with a minimum rate of future improvement of 1.5% p.a. and for females 110% of PNFA00 medium cohort with a minimum rate of future improvement of 1.0% p.a. The change in this assumption increases the liabilities marginally.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return.

32. Commitments under operating leases

At 30 June 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Not later than 1 year	6,595	4,284
Later than 1 year and not later than 5 years	18,979	15,322
Later than 5 years	15,336	20,024
	<u>40,910</u>	<u>39,630</u>

33. Post balance sheet events

On 26 February 2018 the Company received dividends of €3,000,000 from its subsidiary undertaking Mirec BV.

On 27 February 2018 the Company received dividends of €12,000,000 from its subsidiary undertaking Sims Group German Holdings GmbH.

On 1 March 2018 the Company received dividends of SEK10,000,000 from its subsidiary undertaking Sims Recycling Solutions AB.

On 1 March 2018 the Company received dividends of €30,000 from its subsidiary undertaking Sims Recycling Solutions NV.

On 1 February 2018 the Company acquired the assets of William Firth & Son Limited for £1,500,000.

On 8 March 2018 the Company acquired the business of Kayston Holdings Limited for £32,000,000.

SIMS GROUP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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34. 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 Metal Management Limited, a company incorporated in Australia, which heads 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, Suite 3, Level 2, 32-34 Lord Street, Botany, NSW 2019, Australia.