

Sims Group UK Limited

Annual report and financial statements  
for the year ended 30 June 2007

Company number 3242331

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# **Sims Group UK Limited**

## **Directors' report and financial statements for the year ended 30 June 2007**

	<b>Page</b>
Directors and advisors	1
Directors' report for the year ended 30 June 2007	2
Independent auditors' report to the members of Sims Group UK Limited	5
Profit and loss account for the year ended 30 June 2007	6
Statement of total recognised gains and losses for the year ended 30 June 2007	7
Balance sheet as at 30 June 2007	8
Notes to the financial statements for the year ended 30 June 2007	9

# **Sims Group UK Limited**

## **Directors and advisors**

### **Directors**

W T Bird  
G Davy  
M E Coombs

### **Secretary**

Mr D M Williams

### **Registered office**

Long Marston  
Stratford upon Avon  
Warwickshire  
CV37 8AQ

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered accountants and registered auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

### **Bankers**

Barclays Bank plc  
South East Wales Group  
PO Box 1015  
3rd Floor  
Windsor Court  
Cardiff  
CF10 3ZL

### **Solicitors**

Eversheds  
115 Colmore Row  
Birmingham  
B3 3AL

# **Sims Group UK Limited**

## **Directors' report for the year ended 30 June 2007**

The directors submit their report and the audited financial statements for the year ended 30 June 2007

### **Results and dividends**

Details of the company's performance are shown in the profit and loss account on page 6, and show a pre-tax profit of £13.4m (2006: £16.8m) for the year, and sales of £391m (2006: £300m). The company received dividends during the year of £14.3m (2006: £1.0m), and paid dividends during the year of £17.8m (2006: £4.7m).

### **Principal activities, business review and future development**

The principal activity of the company is the recycling and processing of scrap metals.

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. The market environment continues to be competitive, but the directors remain confident that the company will maintain its current level of performance in the future.

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, the market price of metals, exchange rate movements, and pressures on supply and demand.

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

	2007	2006
Turnover	391 million	300 million
Profit before tax	13 million	17 million
Operating profit (as a percentage of turnover)	4%	5%
Return on capital employed	21%	19%

### **Financial risk management**

The company manages foreign currency risk by taking out forward contracts to fix currency exchange rates on export sales undertaken. The gain or loss on any mismatch between the currency fixed and the final amount receivable is taken to the profit and loss account. These forward contracts are valued at the exchange rate inherent in the contract.

### **Directors**

The directors who held office to the date of this report and subsequently are set out on page 1.

# **Sims Group UK Limited**

## **Directors' report for the year ended 30 June 2007 (continued)**

### **Employee involvement**

The group has always recognised the importance of good communications and relations with its employees. Employees are kept informed of, and express their views, on activities which are of concern to them or which are likely to affect their interests. A monthly publication is distributed throughout the group containing individual company and group news items and simplified financial results.

### **Employment of disabled persons**

The group continues to maintain its policy of not discriminating in employment, career development, training and promotion against people who are, or who become disabled.

### **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Annual Report and the 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

### **Statement of disclosure of information to auditors**

In the case of each of the persons who are directors at the time when the report is approved the following applies:

- a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

# **Sims Group UK Limited**

## **Directors' report for the year ended 30 June 2007 (continued)**

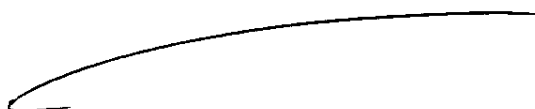
### **Auditors**

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting

By order of the Board



M E Coombs  
Director  
26 June 2008



# Sims Group UK Limited

## Independent auditors' report to the members of Sims Group UK Limited

We have audited the financial statements of Sims Group UK Limited for the year ended 30 June 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

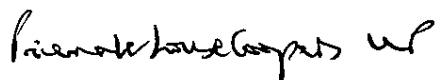
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Birmingham

7 July 2008

# Sims Group UK Limited

## Profit and loss account for the year ended 30 June 2007

	Notes	Continuing operations	Acquisitions	2007	2006
		£'000	£'000	£'000	£'000
<b>Turnover</b>	1	<b>377,075</b>	<b>13,785</b>	<b>390,860</b>	299,735
Cost of sales		(305,603)	(11,593)	(317,196)	(235,427)
<b>Gross profit</b>		<b>71,472</b>	<b>2,192</b>	<b>73,664</b>	64,308
Distribution costs		(36,761)	(1,059)	(37,820)	(31,535)
Administrative expenses		(19,813)	(198)	(20,011)	(16,970)
Other operating income		379	27	406	347
<b>Operating profit</b>	2	<b>15,277</b>	<b>962</b>	<b>16,239</b>	16,150
Income from shares in Group undertakings	4			<b>14,278</b>	1,025
Exceptional items	5			(14,392)	-
<b>Profit before interest and taxation</b>	2			<b>16,125</b>	17,175
Interest receivable and similar income	6			<b>1,743</b>	829
Interest payable and similar charges	7			(4,554)	(1,190)
Other finance income/(expense)	23			<b>89</b>	(13)
<b>Profit on ordinary activities before taxation</b>				<b>13,403</b>	16,801
Tax charge on profit on ordinary activities	9			(3,793)	(4,539)
<b>Profit for the financial year</b>	20			<b>9,610</b>	12,262

There are no material differences between the reported profit for the current year as shown in the profit and loss account above and its historical cost equivalent

All amounts relate to continuing operations

The accompanying notes are an integral part of this profit and loss account



## **Sims Group UK Limited**

### **Statement of total recognised gains and losses for the year ended 30 June 2007**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit for the financial year</b>	<b>9,610</b>	<b>12,262</b>
Pension actuarial movement gross of deferred taxation (note 22)	<b>1,781</b>	<b>998</b>
Movement in deferred tax relating to the pension deficit (note 16)	<b>(479)</b>	<b>(299)</b>
Net movement in foreign currency investments and loans	<b>(129)</b>	<b>32</b>
Revaluations during the year	<b>-</b>	<b>4,509</b>
<b>Total recognised gains and losses since last annual report</b>	<b>10,783</b>	<b>17,502</b>

# Sims Group UK Limited

## Balance sheet as at 30 June 2007

	Notes	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Intangible assets	10	15,681	11,002
Tangible assets	11	34,256	33,971
Investments	12	65,220	51,216
		<b>115,157</b>	<b>96,189</b>
<b>Current assets</b>			
Stocks	13	30,633	26,694
Debtors	14	85,012	67,700
Cash at bank and in hand		6,870	1,840
		<b>122,515</b>	<b>96,234</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(78,521)</b>	<b>(80,326)</b>
<b>Net current assets</b>		<b>43,994</b>	<b>15,908</b>
<b>Total assets less current liabilities</b>		<b>159,151</b>	<b>112,097</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(78,670)</b>	<b>(27,302)</b>
<b>Provisions for liabilities and charges</b>	16	<b>(5,219)</b>	<b>(1,251)</b>
<b>Net assets excluding pension asset/(deficit)</b>		<b>75,262</b>	<b>83,544</b>
Pension asset	23	2,085	820
<b>Net assets including pension asset/(deficit)</b>		<b>77,347</b>	<b>84,364</b>
<b>Capital and reserves</b>			
Called up share capital	19	35,398	35,398
Profit and loss account	20	36,119	43,136
Revaluation reserve	20	5,830	5,830
<b>Total shareholders' funds</b>	21	<b>77,347</b>	<b>84,364</b>

The financial statements on pages 7 to 28 were approved by the Board of Directors on 26 June 2008 and were signed on its behalf by

M E Coombs  
Director




# **Sims Group UK Limited**

## **Notes to the financial statements for the year ended 30 June 2007**

### **1 Accounting policies**

#### **Basis of preparation**

These financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards in the United Kingdom. The particular accounting policies adopted are described below and have been applied on a consistent basis. All land and buildings are subject to revaluation, which is reviewed on an annual basis.

The company is a wholly owned subsidiary and as such, its results and those of its subsidiaries are consolidated in the accounts of Sims Group Limited, a company registered in Australia. As permitted, under section 228A of the Companies Act 1985, no group accounts have therefore been prepared.

#### **Turnover**

Turnover represents the value, excluding value added tax, of goods and services supplied to customers during the year in respect of the company's principal activity.

The turnover arose from a single class of business originating in the United Kingdom.

#### **Investments**

Investments held as fixed assets are stated at cost less provision for any impairment in value.

#### **Goodwill**

Purchased goodwill representing, the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, it is amortised on a straight line basis over its estimated useful economic life of 20 years. Intangible assets are subject to an annual impairment review. The directors consider that the value of intangible assets is not impaired below the value shown in the balance sheet as at 30 June 2007.

#### **Depreciation**

Depreciation is charged to write off the historical cost or valuation of tangible fixed assets from the month following acquisition over their expected useful economic life. The principal rates used are:

Fixtures	10%- 25%
Leasehold land and buildings	Period of lease
Plant and machinery, vehicles and fixtures	10% - 25% per annum
Freehold buildings	2% per annum
Freehold land is not depreciated	

#### **Leased assets**

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases.

# **Sims Group UK Limited**

## **Notes to the financial statements for the year ended 30 June 2007 (continued)**

### **1 Accounting policies (continued)**

#### **Grants**

Grants and other contributions received towards the cost of tangible fixed assets are included in creditors as deferred income and credited to the profit and loss account over the life of the asset. Revenue grants are credited to the profit and loss account so as to match them with the expenditure to which they relate.

#### **Stock**

Stocks are valued at the lower of cost and net realisable value. Cost is calculated as the cost of raw materials and attributable overheads based on the normal level of activity. Net realisable value is based on estimated selling price less further processing cost and delivery charges where applicable.

#### **Cash flow**

The company's ultimate parent is Sims Group Limited, a company incorporated in Australia, which prepares group consolidated financial statements including a group cash flow statement. These accounts are publicly available. Consequently, the company has taken advantage of the exemption under the terms of Financial Reporting Standard 1 (Revised 1996) and has not produced a cash flow statement.

#### **Foreign exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions or at the rates of exchange fixed under the terms of the relevant transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences are dealt with in the profit and loss account, unless they are as a result of the net hedge between foreign currency loans and investments where they are recognised in the statement of total recognised gains and losses.

#### **Financial instruments**

The company takes out forward contracts to fix currency exchange rates on export sales undertaken. The gain or loss on any mismatch between the currency fixed and the final amount receivable is taken to the profit and loss account. These forward contracts are valued at the exchange rate inherent in the contract, given that they are taken out to match export sales undertaken, and the potential gain on these contracts at the year end (in comparison against the spot exchange rate at 30 June) has not been recognised in the profit and loss account.

#### **Taxation**

UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred taxation is provided only in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that there is a reasonable profitability that deferred taxation will crystallise in the foreseeable future.

#### **Pension costs**

The company operates one defined contribution pension scheme. Contributions payable to this scheme are charged in the profit and loss account as they are incurred. The company operated one defined benefit scheme during the year, providing benefits based on final pensionable pay. Contributions to this scheme are assessed in accordance with the advice of a qualified actuary and have been accounted for in accordance with FRS 17.

# Sims Group UK Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 2 Operating profit

Operating profit is stated after charging/(crediting)

	2007	2006
	£'000	£'000
Profit on disposal of fixed assets	(103)	(115)
Depreciation of tangible fixed assets		
- owned assets	4,538	4,336
- assets held under finance leases	185	-
Amortisation of goodwill	915	768
Auditors remuneration		
- audit services	66	58
- non audit services	-	-
Grants received	(382)	(338)
Hire of plant and machinery	2,728	2,558
Operating lease charges other	5,494	4,913
Contributions to defined contribution pension schemes	297	179

### 3 Information regarding directors and employees

#### Directors

Emoluments in respect of directors' services to the company were as follows

	2007	2006
	£'000	£'000
Aggregate emoluments	1,059	836

There are retirement benefits accruing to one director under a defined contribution scheme (2006 1)

There are retirement benefits accruing to 2 directors under a defined benefit scheme (2006 2)

# Sims Group UK Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 3 Information regarding directors and employees (continued)

The amounts set out above include remuneration in respect of the highest paid director as follows

	2007	2006
	£'000	£'000
Emoluments	458	344
Accrued retirement benefits under a defined benefit scheme	23	29
	481	373

#### Employees

The average monthly number of people, including directors, employed by the company was

By activity	2007	2006
Production	551	528
Selling and administration	81	74
Management	66	62
	698	664

The costs incurred in respect of these employees were

	2007	2006
	£'000	£'000
Wages and salaries	20,457	15,998
Social security costs	1,864	1,540
Other pension costs		
- Defined contribution schemes	297	179
- Defined benefit schemes (note 23)	390	392
	23,008	18,109

## **Sims Group UK Limited**

### **Notes to the financial statements for the year ended 30 June 2007 (continued)**

#### **4 Income from shares in Group undertakings**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Dividend received from shares in Group undertakings	<b>14,278</b>	1,025

#### **5 Exceptional item**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Loss on disposal of subsidiaries and restructuring of the group	<b>(14,392)</b>	-

The loss on disposal relates to the restructuring of the legal structure and the loss is offset by the £14,278,000 of income from shares in group undertakings which relates to the same restructuring

#### **6 Interest receivable and similar income**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Other interest receivable	<b>97</b>	40
Interest receivable from Group undertakings	<b>1,646</b>	789
	<b>1,743</b>	829

#### **7 Interest payable and similar charges**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Bank overdraft interest	<b>3,393</b>	1,102
Bank loan interest	<b>88</b>	88
Earn Out Interest on Acquisition	<b>330</b>	-
Hire purchase interest	<b>16</b>	-
Interest payable to group undertakings	<b>727</b>	-
	<b>4,554</b>	1,190

## **Sims Group UK Limited**

### **Notes to the financial statements for the year ended 30 June 2007 (continued)**

#### **8 Dividends payable**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Dividend paid in the year 50 3 pence per share (2006 13 3 pence)	<b>17,800</b>	<b>4,733</b>

#### **9 Taxation on profit on ordinary activities**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
UK Corporation tax @ 30%	<b>3,412</b>	<b>3,985</b>
Under provision relating to prior year	<b>9</b>	<b>(75)</b>
	<b>3,421</b>	<b>3,910</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<b>(20)</b>	<b>114</b>
Pension cost relief below pension cost charge	<b>392</b>	<b>515</b>
	<b>372</b>	<b>629</b>
	<b>3,793</b>	<b>4,539</b>

The tax assessed for the year is lower (2006 lower) than the standard rate of corporation tax in the UK 30% (2006 30%) The differences are explained below



# Sims Group UK Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 9 Tax on profit on ordinary activities (continued)

#### Factors affecting tax charge for year

	2007	2006
	£'000	£'000
Profit on ordinary activities before tax	13,403	16,801
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 30%	4,021	5,040
Effects of		
Dividends received	(4,283)	(307)
Disallowed exceptional item	4,318	-
Group relief received for nil consideration	(188)	(198)
Expenses not deductible for tax purposes		
- Amortisation of goodwill	274	230
- Other	(245)	(328)
Capital allowances for year in excess of depreciation	(67)	(48)
Revaluation of land and buildings not subject to tax	(18)	114
Utilisation of provisions	(400)	(518)
Under provision relating to prior year	9	(75)
	3,421	3,910

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget statement and were enacted in the 2007 Finance Act in June 2007. The changes had not been substantively enacted at the balance sheet date and, therefore, the main changes which will affect these accounts going forward are

- the corporation tax rate reduced from 30% to 28% with effect from 1 April 2008, and
- balancing adjustments for industrial buildings are abolished

The financial impact of these changes has been reflected in these accounts

# **Sims Group UK Limited**

## **Notes to the financial statements for the year ended 30 June 2007 (continued)**

### **10 Intangible fixed assets**

	<b>Goodwill</b>
	<b>£'000</b>
<b>Cost</b>	
At 1 July 2006	15,350
Cymru Metal Recycling Limited goodwill on transfer of trade and assets (note 24)	5,594
<b>At 30 June 2007</b>	<b>20,944</b>
<b>Amortisation</b>	
At 1 July 2006	(4,348)
Charge for the year	(915)
<b>At 30 June 2007</b>	<b>(5,263)</b>
<b>Net book amount</b>	
<b>At 30 June 2007</b>	<b>15,681</b>
At 30 June 2006	11,002

# Sims Group UK Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 11 Tangible fixed assets

	Freehold land and buildings	Short leasehold	Long leasehold land and buildings	Plant, machinery, vehicles and fixtures	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 July 2006	13,237	36	3,811	40,496	57,580
Additions	627	-	416	2,073	3,116
Acquisitions	-	-	-	1,903	1,903
Disposals	-	-	(112)	(1,123)	(1,235)
<b>At 30 June 2007</b>	<b>13,864</b>	<b>36</b>	<b>4,115</b>	<b>43,349</b>	<b>61,364</b>
<b>Accumulated depreciation</b>					
At 1 July 2006	-	(36)	(1,892)	(21,681)	(23,609)
Charge for the year	(240)	-	(342)	(4,141)	(4,723)
Disposals	-	-	112	1,112	1,224
<b>At 30 June 2007</b>	<b>(240)</b>	<b>(36)</b>	<b>(2,122)</b>	<b>(24,710)</b>	<b>(27,108)</b>
<b>Net book value</b>					
<b>At 30 June 2007</b>	<b>13,624</b>	<b>-</b>	<b>1,993</b>	<b>18,639</b>	<b>34,256</b>
At 30 June 2006	13,237	-	1,919	18,815	33,971

The net book value of assets held under finance leases and hire purchase agreements was £964,000 (2006 £nil). The value of land not subject to depreciation was £9,758,000 (2006 £9,499,000).

The valuation of freehold property was professionally reviewed at 2 July 2007 on an existing use basis by DTZ Debenham Tie Leung Limited, Chartered Surveyors, who have confirmed that the market values have not materially moved more than 5% since last year.

These valuations are made in accordance with the RICS appraisal and valuation manual. The Directors are not aware of any material change in value since the valuation dates.

## **Sims Group UK Limited**

### **Notes to the financial statements for the year ended 30 June 2007 (continued)**

#### **12 Fixed asset investments**

	<b>£'000</b>
<hr/>	
<b>Cost of shares in subsidiary undertakings</b>	
As at 1 July 2006	52,765
Additions	53,841
Disposal	(31,188)
Impairment on restructuring	(8,898)
Foreign exchange movement on net investment	(1,300)
As at 30 June 2007	65,220
<hr/>	
<b>Provision for diminution in value</b>	
As at 1 July 2006	(1,549)
Release on disposal	1,549
As at 30 June 2007	-
<hr/>	
<b>Net book value of ordinary shares in subsidiary undertakings at 30 June 2007</b>	<b>65,220</b>
<hr/>	
Net book value of ordinary shares in subsidiary undertakings at 30 June 2006	51,216
<hr/>	

## Sims Group UK Limited

### Notes to the financial statements for the year ended 30 June 2007 (continued)

#### 12 Fixed asset investments (continued)

Investments comprise equity shares in subsidiary undertakings

Name	Country of incorporation / registration and operation	Activity	Proportion of ordinary shares
United Castings Limited	England and Wales	Import and distribution of steel castings	100%
Sims Group German Holdings GmbH	Germany	Holding company	100%
Sims Cymru Limited	England and Wales	Dormant	100%
Sims Recycling Solutions UK Holding Limited	England and Wales	Electronic scrap recycling	100%
Sims Recycling Solutions AB	Sweden	Electronic scrap recycling	100%
Mirec BV	Netherlands	Electronic scrap recycling	100%
Sims Group Recycling Solutions Canada Limited	Canada	Electronic scrap recycling	100%
United Recycling Industries Incorporated	United States of America	Electronic scrap recycling	100%

In the opinion of the directors the value of these investments as at 30 June 2007 is not less than the aggregate amounts in the balance sheets at that date

#### 13 Stocks

	2007	2006
	£'000	£'000
Raw materials	14,086	9,705
Finished goods and goods for resale	12,458	13,609
Consumables and spares	4,089	3,380
	30,633	26,694

# Sims Group UK Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 14 Debtors

	2007	2006
	£'000	£'000
Trade debtors	42,021	40,467
Amounts owed by group undertakings	38,786	23,395
Other debtors	2,149	2,275
Prepayments	2,056	1,563
	<b>85,012</b>	<b>67,700</b>

### 15 Creditors

	Falling due within one year		Falling due after one year	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Bank loans	-	-	78,518	27,302
Trade creditors	39,154	31,633	-	-
Amounts due to group undertakings	30,257	39,421	-	-
Taxation and social security	2,993	3,095	-	-
Other creditors	1,866	1,520	-	-
Hire purchase creditor	468	-	152	-
Accruals and deferred income	3,783	4,657	-	-
	<b>78,521</b>	<b>80,326</b>	<b>78,670</b>	<b>27,302</b>

The bank loans are secured by floating charges over the group's assets and by various guarantees, cross guarantees and debentures given by group undertakings. The bank loans are repayable in Euros, US Dollars or Sterling and on demand, but the bank is required to give the company at least 12 months notice of such a demand.

The maturity of bank loans and other borrowings

	2007	2006
	£'000	£'000
<b>Between one and two years:</b>		
Bank loans	78,518	27,302
	<b>78,518</b>	<b>27,302</b>

## Sims Group UK Limited

### Notes to the financial statements for the year ended 30 June 2007 (continued)

#### 16 Provisions for liabilities and charges

	Deferred taxation	Earn Out Provision	Holiday pay provisions	Total
	£'000	£'000	£'000	£'000
At 1 July 2006	1,184	-	67	1,251
Charged to investments	-	3,684	-	3,684
Charged to the profit and loss account	(20)	330	-	310
Charged to goodwill on acquisition	(26)	-	-	(26)
<b>At 30 June 2007</b>	<b>1,138</b>	<b>4,014</b>	<b>67</b>	<b>5,219</b>

The holiday pay provision will be utilised when the employees it relates to leave the company. The timing of the cashflows therefore cannot be estimated. Other provisions relates to amounts due in future periods for fixed asset investments.

#### 17 Deferred taxation

Deferred tax is fully provided in the accounts and calculated at 28% (2006 30%) as follows

	2007	2006
	£'000	£'000
Accelerated capital allowances	1,373	1,512
Asset in respect of intangibles	(216)	(308)
Asset in respect of holiday pay provision	(19)	(20)
	<b>1,138</b>	<b>1,184</b>
1 July	1,184	1,070
Charged to profit and loss	(20)	114
Charged to Goodwill	(26)	-
<b>At 30 June</b>	<b>1,138</b>	<b>1,184</b>

Deferred taxation has not been provided in respect of revalued land and buildings, on the basis that the directors cannot foresee any crystallisation of the liability. Tax would only become payable if the land and buildings were to be sold, and if this was to take place, the liability would be £1.632m.

# Sims Group UK Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 17 Deferred taxation (continued)

#### Deferred tax asset/(liability) relating to the pension scheme

	2007	2006
	£'000	£'000
At 1 July	858	1,672
Deferred tax charge in profit and loss account (note 9)	(392)	(515)
Deferred tax charged to the statement of total recognised gains and losses on actuarial movement	(479)	(299)
	(13)	858

### 18 Operating lease and capital commitments

	2007	2006
	£'000	£'000
<b>Land and buildings</b>		
Due within one year	188	59
Due within one to five years	174	295
Due after five years	1,392	1,449
	1,754	1,803
<b>Other</b>		
Due within one year	116	539
Due within one to five years	3,502	2,361
Due after five years	-	261
	3,618	3,161
<b>Capital commitments</b>		
Plant and equipment	-	-

### 19 Called up share capital

	2007	2006
	£'000	£'000
<b>Authorised, issued, allotted and fully paid:</b>		
Ordinary shares of £1 each (no at 30 June 2007 and 30 June 2006 - 35,398,000)	35,398	35,398



# Sims Group UK Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 20 Movement on reserves

	Re- valuation Reserve	Profit and loss account	Total
	£'000	£'000	£'000
At 1 July 2006	5,830	43,136	48,966
Profit for the year	-	9,610	9,610
Dividends paid in the year	-	(17,800)	(17,800)
Actuarial movement net of deferred taxation	-	1,302	1,302
Net movement in foreign currency investment hedge	-	(129)	(129)
<b>At 30 June 2007</b>	<b>5,830</b>	<b>36,119</b>	<b>41,949</b>

### 21 Reconciliation of movement in total shareholders' funds

	2007	2006
	£'000	£'000
Profit for the year	9,610	12,262
Dividends paid in the year	(17,800)	(4,733)
Actuarial movement net of deferred taxation	1,302	699
Net movement in foreign currency investment hedge	(129)	32
Revaluation	-	4,509
(Loss)/retained profit for the financial year being net (reduction in)/addition to shareholders' funds	(7,017)	12,769
Opening shareholders' funds	84,364	71,595
<b>Closing shareholders' funds</b>	<b>77,347</b>	<b>84,364</b>

# **Sims Group UK Limited**

## **Notes to the financial statements for the year ended 30 June 2007 (continued)**

### **22 Related party transactions**

The company has taken advantage of the exemption under Financial Reporting Standard No 8 relating to 90% subsidiary undertakings and has not disclosed details of transactions with other undertakings within the Sims Group UK Holdings Limited group

### **23 Pension commitments**

The company operated one funded defined benefit scheme and one funded defined contribution scheme in the UK during the year to 30 June 2007

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.

#### **FRS 17 "Retirement Benefits"**

The company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 6 April 2006 and updated to 30 June 2007 by a qualified independent actuary. The service cost has been calculated using the Projected Unit method. As the scheme is closed to new entrants the service cost would be expected to rise in the future as the average age of the membership increases.

Over the year to 30 June 2007 the Company contributed 24.8% of Pensionable Earnings less member contributions.

# Sims Group UK Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 23 Pension commitments (continued)

The major assumptions used by the actuary were (in nominal terms)

	2007	2006	2005
	%	%	%
Rate of increase in salaries	4.8	4.5	4.25
Pension increases linked to price inflation – benefits accrued pre 6 April 2006 (5% maximum)	3.3	3.0	2.75
Pension increases linked to price inflation – benefits accrued post 5 April 2006 (3% maximum)	2.8	3.0	2.75
Discount rate	5.8	5.25	5.0
Inflation assumption	3.3	3.0	2.75

The assets in the schemes and the expected rates of return were

	2007	2007	2006	2006	2005	2005
	%	£'000	%	£'000	%	£'000
Equities	7.10	9,644	6.50	7,817	6.25	6,458
Bonds	5.40	5,141	4.80	4,645	4.50	1,591
Property	6.10	3,684	5.50	3,660	5.25	1,422
Cash	5.40	358	4.80	449	4.50	938
Other	-	128	-	-	-	-
Total market value of assets		18,955		16,571		10,409
Present value of scheme liabilities		(16,857)		(16,609)		(15,697)
Surplus/(deficit) in scheme		2,098		(38)		(5,288)
Related deferred tax (liability)/asset		(13)		858		1,672
Net pension asset/(deficit)		2,085		820		(3,616)

# Sims Group UK Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 23 Pension commitments (continued)

#### Analysis of the amount that has been charged to operating profit:

	2007	2006
	£'000	£'000
Current service cost	390	392
<b>Total operating charge</b>	<b>390</b>	<b>392</b>

#### Analysis of the amount that has been credited to other finance income:

	2007	2006
	£'000	£'000
Expected return on pension scheme assets	968	778
Interest on pension liabilities	(879)	(791)
<b>Net return</b>	<b>89</b>	<b>(13)</b>

#### Analysis of amount that has been recognised in the statement of total of recognised gains and losses (STRGL):

	2007	2006
	£'000	£'000
Actual return less expected return on pension scheme assets	883	863
Changes in assumptions underlying the present value of the scheme liabilities	1,536	135
Experience gains and losses arising on scheme liabilities	(638)	-
<b>Actuarial gain that has been recognised in STRGL</b>	<b>1,781</b>	<b>998</b>

# Sims Group UK Limited

## Notes to the financial statements for the year ended 30 June 2007 (continued)

### 23 Pension commitments (continued)

#### Movement in deficit during the year:

	2007	2006
	£'000	£'000
Deficit in scheme at 1 July	(38)	(5,284)
Movement in year		
Current service cost	(390)	(392)
Contributions	656	4,653
Expected return on scheme assets	968	778
Interest on pension liabilities	(879)	(791)
Actuarial gain	1,781	998
<b>Surplus/(deficit) in scheme at 30 June</b>	<b>2,098</b>	<b>(38)</b>

#### History of experience gains and losses:

	2007		2006		2005		2004	
	Percentage of scheme assets	£'000	Percentage of scheme assets	£'000	Percentage of scheme assets	£'000	Percentage of scheme assets	£'000
Difference between the expected and actual return on scheme assets	5%	883	5%	863	7%	706	5%	409
Experience gains and losses on scheme liabilities	4%	(638)	0%	-	0%	11	5%	616
Total amount recognised in the statement of total recognised gains and losses	11%	1,781	6%	998	13%	(1,997)	12%	1,500

## Sims Group UK Limited

### Notes to the financial statements for the year ended 30 June 2007 (continued)

#### 24 Transfer of trade and assets

On 19 December 2006 Sims Group UK Limited acquired the trade and assets of Cymru Metal Recycling Limited. The consideration paid was £7,235,242 and the net assets acquired were £1,641,145 resulting in goodwill recognised of £5,594,097 as set out in the tables below

##### Goodwill on transfer

	Book value	Adjustment	Fair value
	£'000	£'000	£'000
Purchase consideration – cash			7,235
Acquisition Costs			-
<b>Less net assets</b>			
Fixed assets	1,990	(87)	1,903
Stock	1,938	(85)	1,853
Debtors	1,588	-	1,588
Cash at bank and in hand	(194)	-	(194)
Creditors	(3,535)	26	(3,509)
<b>Net assets</b>	<b>1,787</b>	<b>(146)</b>	<b>1,641</b>
<b>Goodwill</b>			<b>5,594</b>

The fair value adjustments relate to the revaluation of assets (including inventory) and the associated deferred taxation effect to align accounting policies. The £26,000 relates to deferred taxation.

#### 25 Ultimate parent company and controlling party

The immediate parent company is Sims UK Intermediate Holdings Limited, a company incorporated in England and Wales. The ultimate parent undertaking and controlling party is Sims Group Limited, a company incorporated in Australia, which heads the largest and smallest group to consolidate these accounts. Copies of the group accounts can be obtained from the Company Secretary at Sims Group House, Level 6, 41 McLaren Street, North Sydney, NSW 2060, Australia.