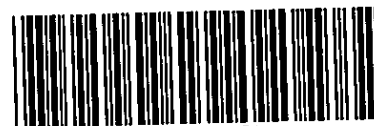


Sims Group UK Limited

Annual report and financial statements
for the year ended 30 June 2012

Registered number 3242331

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Sims Group UK Limited

Annual report and financial statements for the year ended 30 June 2012

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Sims Group UK Limited

Directors and advisors

Directors

G Davy
M E Coombs

Company secretary

D M Williams

Registered office

Long Marston
Stratford upon Avon
Warwickshire
CV37 8AQ

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory 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 2012

The directors submit their report and the audited financial statements for the year ended 30 June 2012

These are the revised financial statements that replace the original financial statements for the year ended 30 June 2012. These are now the company's statutory financial statements for the year ended 30 June 2012. These have been prepared as at the date of the original annual financial statements and not as at the date of revision and, accordingly, do not deal with events between those dates.

The original financial statements did not comply with the Act's requirements in respect of recognition of dividend income, inventory write offs required and their consequent impact on goodwill, investments and intercompany balances. Amendments have now been made to remedy these defects. Additionally adjustments in respect of write down of inventory impact prior year requiring a £4.1m write down of stock in the year ended 30 June 2011 and £4.1m as at 1 July 2010.

Results and dividends

Details of the company's performance are shown in the profit and loss account on page 8, and show a loss on ordinary activities before taxation of £83.5m (2011 restated profit of £28.2m) for the year, and turnover of £824.8m (2011 £684.4m). The company received £29.3m dividends during the year (2011 £10.4m), and paid dividends during the year of £1.4m (2011 £10.4m).

Of the dividends received, £19.2m were received from previously dormant subsidiary companies. Subsequent to receipt the carrying value of the investments in these companies was impaired by £18.5m, bringing the investments in them down to their recoverable amounts. Additionally intercompany loans were written off, resulting in a further loss of £0.7m.

Following an impairment review as at 31 December 2011 the company wrote off approximately £14.7m of goodwill relating to prior year acquisitions.

After the balance sheet date it was identified that a write down of inventory was required totalling £50.2m, of which £39.5m related to 2012 and prior, namely 2012 £31.3m, 2011 £4.1m, 2010 £4.1m. As a result of this inventory adjustment the directors have made a further goodwill impairment as at 30 June 2012 of £39.9m.

Principal activities, business review and future development

The principal activities of the company is the recycling and processing of scrap metals and waste electrical and electronic equipment (WEEE).

During the year the company acquired a number of trading entities for a total consideration of £20.1m (2011 £37.8m) plus the trade and assets of another entity for a total consideration of £0.6m (2011 £17.5m). For those acquisitions of trading entities, Sims Group UK Limited immediately hive up the trade and assets.

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 continue to grow in the future.

The company continues to operate a Dutch branch.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to ongoing support from Sims Metal Management Limited, the ultimate parent company.

Sims Group UK Limited

Directors' report for the year ended 30 June 2012 (continued)

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

	2012 £	2011 £
Turnover	825m	684m
(Loss)/profit on ordinary activities before taxation	(83m)	28m
Operating (loss)/profit as a percentage of turnover	(10.1)%	4.1%

Financial 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 and interest rate 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.

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 profit and loss account. These forward contracts are valued with reference to the exchange rate inherent in the contract. At 30 June 2012 the gross value of the forward contracts was £78,918,000 (2011: £120,437,000), matched against current and future sales of £78,918,000 (2011: £120,437,000). At 30 June 2012 the fair value of the forward contracts was £229,000 (2011: £1,905,000).

Credit risk is managed by taking third party insurance on all domestic and at risk export debts.

The company is exposed to risks associated with fluctuations in the market price for both ferrous and non-ferrous metals and to a lesser extent precious metals. The company seeks to mitigate commodity price risk by seeking to turn its inventories quickly. The company's exposure to commodity prices is to an extent diversified by virtue of its broad commodity base and more recently via metals hedging.

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.

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.

Creditor payment policy

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 2012 were 42 days (2011: 51 days).

Sims Group UK Limited

Directors' report for the year ended 30 June 2012 (continued)

Directors

The directors of the company who were in office during the year and up to the date of the financial statements were

G Davy
M E Coombs

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.

Charitable donations

During the year the company has donated £1,000 (2011: £2,000) to charitable organisations, all within the UK.

Employees

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.

Sims Group UK Limited

Directors' report for the year ended 30 June 2012 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

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

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

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.

Independent auditors

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

On behalf of the Board



M E Coombs
Director
17 March 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIMS GROUP UK LIMITED

We have audited the revised financial statements of Sims Group UK Limited for the year ended 30 June 2012, which comprise the Profit and Loss account, the Statement of Total recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). These revised financial statements replace the original financial statements approved by the directors on 9th November 2012.

The revised financial statements have been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the directors are responsible for the preparation of the revised financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the revised financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the revised financial statements

An audit involves obtaining evidence about the amounts and disclosures in the revised financial statements sufficient to give reasonable assurance that the revised financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the revised financial statements.

The audit of revised financial statements includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

Opinion on revised financial statements

In our opinion the revised financial statements

- give a true and fair view, seen as at the date the original financial statements were approved, of the state of the company's affairs as at 30 June 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, seen as at the date the original financial statements were approved, and
- have been prepared in accordance with the provisions of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008.

Emphasis of matter – revision of items in respect of dividends received, inventory and consequent amendments to other balances.

In forming our opinion on the revised financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 1 and 8 to these revised financial statements concerning the need to revise the financial statements for dividends not previously recognised, inventory write offs required and the consequent impact on goodwill, investments and intercompany balances. The original financial statements were approved on 9th November 2012. We have not performed a subsequent events review for the period from the date the original financial statements were approved to the date of this report.

Opinion on other matter prescribed by the Companies Act 2006

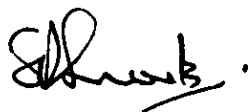
In our opinion

- the original financial statements for the year ended 30 June 2012 failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors in notes 1 and 8 to these revised financial statements
- the information given in the revised Directors' Report for the financial year for which the financial statements are prepared is consistent with the revised financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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 revised 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



Stephen Snook (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

18 March 2013

Sims Group UK Limited

Profit and loss account for the year ended 30 June 2012

	Note	Continuing operations	Acquisitions	2012	2011 restated
		£'000	£'000	£'000	£'000
Turnover	1	806,124	18,686	824,810	684,411
Cost of sales		(700,428)	(16,033)	(716,461)	(559,799)
Gross profit before exceptional item		105,696	2,653	108,349	124,612
Exceptional items	8	(105,089)	-	(105,089)	(4,125)
Gross profit		607	2,653	3,260	120,487
Administrative expenses		(47,520)	(1,023)	(48,543)	(42,409)
Distribution costs		(62,638)	(300)	(62,938)	(56,948)
Other operating income		2,520	-	2,520	2,649
Operating (loss)/profit	2	(107,031)	1,330	(105,701)	23,779
Income from shares in Group undertakings	4			29,254	10,364
(Loss)/profit before interest and taxation				(76,447)	34,143
Interest receivable and similar income	5			205	139
Interest payable and similar charges	6			(7,313)	(6,071)
Other finance costs	23			72	(24)
(Loss)/profit on ordinary activities before taxation				(83,483)	28,187
Tax on (loss)/profit on ordinary activities	9			7,022	(3,815)
(Loss)/profit for the financial year	20			(76,461)	24,372

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

Sims Group UK Limited

Statement of total recognised gains and losses for the year ended 30 June 2012

	Note	2012	2011
		£'000	restated £'000
(Loss)/profit for the financial year		(76,461)	24,372
Pension actuarial (losses)/gains on pension scheme	23	(3,982)	1,124
Movement on deferred tax relating to the pension deficit	17	853	(523)
Total recognised gains and losses relating to the year		(79,590)	24,973

Sims Group UK Limited

Balance sheet as at 30 June 2012

	Note	2012 £'000	2011 restated £'000
Fixed assets			
Intangible assets	10	2,661	43,664
Tangible assets	11	107,680	95,343
Investments	12	151,789	150,201
		262,130	289,208
Current assets			
Stocks	13	136,275	156,277
Debtors	14	80,110	97,106
Cash at bank and in hand		1,846	12,139
		218,231	265,522
Creditors: amounts falling due within one year	15	(249,030)	(285,644)
Net current liabilities		(30,799)	(20,122)
Total assets less current liabilities		231,331	269,086
Creditors amounts falling due after more than one year	15	(117,340)	(75,142)
Provisions for liabilities	16	(59)	(1,549)
Net assets excluding net pension (liability)/asset		113,932	192,395
Net pension (liability)/asset	23	(2,014)	513
Net assets including net pension (liability)/asset		111,918	192,908
Capital and reserves			
Called up share capital	19	145,398	145,398
Profit and loss account	20	(33,480)	47,510
Total shareholders' funds	21	111,918	192,908

The financial statements on pages 7 to 42 were approved by the Board of Directors on 17 March 2013 and were signed on its behalf by



M E Coombs
Director

Registered number 3242331

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

1 Accounting policies

Basis of preparation

These financial statements have been prepared on a going concern basis under the historical cost convention, in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006

The company is a wholly owned subsidiary and as such, its results and those of its subsidiaries are consolidated in the financial statements of Sims Metal Management Limited, a company registered in Australia. As permitted, under section 401 of the Companies Act 2006, no group financial statements have therefore been prepared

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied

Revised financial statements

These are the revised financial statements that replace the original financial statements for the year ended 30 June 2012. These are now the company's statutory financial statements for the year ended 30 June 2012. These have been prepared as at the date of the original annual financial statements and not as at the date of revision and, accordingly, do not deal with events between those dates

The original financial statements did not comply with the Act's requirements in respect of recognition of dividend income, inventory write offs required and their consequent impact on goodwill, investments and intercompany balances. Amendments have now been made to remedy these defects. Additionally adjustments in respect of write down of inventory impact prior year requiring a £4.1m write down of stock in the year ended 30 June 2011 and £4.1m as at 1 July 2010

Cash flow

The company's ultimate parent is Sims Metal Management Limited, a company incorporated in Australia, which prepares group consolidated financial statements including a group cash flow statement. These financial statements are publicly available. Consequently, the company has taken advantage of the exemption under the terms of FRS 1 (Revised 1996) "Cash Flow Statements" and has not produced a cash flow statement

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. Turnover is recognised when the goods have been dispatched to a customer pursuant to a sales order, when associated risks have passed to the carrier or customer and when the amount of revenue can be reliably measured, or when the services have been provided. Turnover in respect of items sold that are subject to metal content assay are recognised when the assay valuation has been received

In the opinion of the directors, the disclosure of turnover, profit on ordinary activities before taxation and net assets by activity and by geographical segmentation would be seriously prejudicial to the interests of the company

Dividends

Dividends received from subsidiaries are recognised in the profit and loss account when the right to receive payment is established

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

1 Accounting policies (continued)

Goodwill and other intangible assets

Purchased goodwill, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, 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 2012.

Other intangible assets are stated at cost less accumulated amortisation. Cost includes expenditure that is directly attributable to the acquisition of items. Other intangibles are amortised over a period of 3 to 6 years.

Fixed asset investments

Investments held as fixed assets are stated at cost less provision for any impairment in value. Impairment reviews are carried out annually to consider the underlying value of the investments against their carrying value in the balance sheet.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate as the company is part of group facility arrangements and enjoys on-going support from the ultimate parent company.

Tangible fixed assets

All tangible fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition and installation of the items.

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:

Freehold buildings	2% per annum
Leasehold land and buildings	Period of lease
Plant, machinery, vehicles and fixtures	10% - 25% per annum

Freehold land and assets in the course of construction are not depreciated.

Capitalisation of interest cost

Interest costs that are material and directly attributable to the construction of an asset that necessarily takes over six months to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the year in which they are incurred.

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.

Grants

Grants and other contributions received towards the cost of tangible fixed assets are included in creditors as deferred income and credited to sales within 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.

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

1 Accounting policies (continued)

Stock

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.

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. The gain or loss on any mismatch between the currency fixed and the final amount receivable is taken to 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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Pension costs

The company operates one defined contribution pension scheme, the Sims Group Personal Pension Scheme. Contributions payable to this scheme are charged in the profit and loss account as they are incurred. The company contributions are 6% (2011: 6%). 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 "Retirement benefits".

Current service costs are charged to relevant period's profit and loss account. Liabilities are valued on an actuarial basis utilising assumptions designed to reflect the actual pension liability. Funding is agreed with the pension schemes on a regular basis.

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

1 Accounting policies (continued)

Long-term incentive scheme

The Company participates in a long-term incentive scheme which rewards certain employees with performance rights, in the form of shares in the ultimate parent company Sims Metal Management Limited. The performance rights are equity-settled, however the Board of directors retain the right to offer, and the employees may elect for, 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 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 profit and loss account. A corresponding entry is made to intercompany creditors, as the cost of the options is recharged from the group company. The fair value of share options is measured using the Black-Scholes valuation model.

Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Research and development expenditure

Research and development expenditure are charged to the profit and loss account as they are incurred.

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

2 Operating (loss)/profit

Operating profit is stated after (crediting)/charging

	2012	2011
	£'000	£'000
Amortisation of goodwill (note 10)	2,189	2,084
Amortisation of other intangible assets (note 10)	371	409
Depreciation of tangible fixed assets (note 11)		
- owned assets	12,216	9,792
- assets held under finance leases	63	264
Auditors remuneration		
- audit services of Sims Group UK Limited	287	275
- audit services borne by the company in respect of the audit of other group companies	32	27
Grant income	(346)	(409)
Hire of plant and machinery	7,276	6,373
Operating lease charges land and buildings	5,863	4,533
Operating lease charges other	4,751	4,645
Contributions to defined contribution pension schemes (note 3)	1,011	946
Research and development expenditure	255	261
Redundancy charges	1,693	117
Other operating income includes - continuing operations		
- management fees recoverable from subsidiary companies	(2,064)	(2,465)
- insurance claims received	(23)	-
- profit on disposal of fixed assets	(460)	(178)

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

3 Information regarding directors and employees

Directors

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

	2012	2011
	£'000	£'000
Aggregate emoluments	760	1,098
Amounts receivable under long-term incentive schemes	-	-

There are retirement contributions of £12,000 (2011 £17,000) accruing to 1 director under a defined contribution scheme (2011 1) There are retirement benefits accruing to 1 director under a defined benefit scheme (2011 1)

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

	2012	2011
	£'000	£'000
Aggregate emoluments and benefits under long-term incentive schemes	523	779
Accrued retirement benefits under a defined benefit scheme	26	16
	549	795

The highest paid director received shares under the executive long-term incentive scheme

None of the directors have exercised share options in the current or preceding financial year

Employees

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

By activity	2012	2011
Production	904	779
Selling and administration	243	209
Management	199	164
	1,346	1,152

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

3 Information regarding directors and employees (continued)

Employees (continued)

The costs incurred in respect of these employees were

	2012	2011
	£'000	£'000
Wages and salaries	38,761	33,009
Social security costs	3,899	2,996
Other pension costs		
- Defined contribution schemes	1,011	946
- Defined benefit schemes (note 24)	185	192
Cost of employee share scheme	998	1,022
	44,854	38,165

There are £158,000 outstanding pension contributions as at 30 June 2012 (2011 £164,000)

4 Income from shares in Group undertakings

	2012	2011
	£'000	£'000
Dividends received from shares in group undertakings	29,254	10,364

5 Interest receivable and similar income

	2012	2011
	£'000	£'000
Bank interest receivable	205	139

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

6 Interest payable and similar charges

	2012	2011
	£'000	£'000
Bank loan interest	4,900	3,998
Hire purchase interest	34	37
Interest payable to Group undertakings	2,379	2,025
Other interest payable	-	11
	7,313	6,071

7 Dividends payable

	2012	2011
	£'000	£'000
Dividend paid in the year at 0.96 pence per share (2011: 7.1 pence)	1,400	10,364

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

8 Exceptional items

	2012	2011
	£'000	£'000
Goodwill impairment	54,620	-
Write down of inventory	31,262	4,125
Investments impairment	18,482	-
Write off amounts payable and receivable to Group companies	725	-
	105,089	4,125

Following an impairment review as at 31 December 2011 the company wrote off approximately £14.7m of goodwill relating to prior year acquisitions. As a result of the inventory adjustment noted below the directors have made a further goodwill impairment as at 30 June 2012 of £39.9m.

After the balance sheet date it was identified that a write down of inventory was required totalling £50.2m, of which £39.5m related to 2012 and prior, namely 2012 £31.3m, 2011 £4.1m, 2010 £4.1m.

As a result of a group restructuring in June 2012, £19.2m dividends were received from previously dormant subsidiary companies. Subsequent to receipt the carrying value of the investments in these companies was impaired by £18.5m, bringing the investments in them down to their recoverable amounts. Additionally intercompany loans were written off, resulting in a further loss of £0.7m.

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

9 Tax on (loss)/profit on ordinary activities

	2012	2011
	£'000	£'000
Current tax:		
UK corporation tax		
- current year	(3,790)	4,207
- prior year adjustment	(1,821)	(1,168)
Total current tax	(5,611)	3,039
Deferred tax:		
Origination and reversal of timing differences	829	1,259
Losses	(1,986)	-
Share based compensation	(6)	(112)
Pension cost relief below pension cost charge	106	(60)
Change in taxation rate	(354)	(311)
Total deferred tax	(1,411)	776
Tax on (loss)/profit on ordinary activities	(7,022)	3,815

The effective rate of UK corporation tax for 2012 is 25.5% (2011: 27.5%). This reflects the change to the standard rate of UK corporation tax from 26% to 24% which became effective 1 April 2012.

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

9 Tax on (loss)/profit on ordinary activities (continued)

The tax assessed for the year is higher (2011: lower) than the standard rate of corporation tax in the UK for year ended 30 June 2012 of 25.5% (2011: 27.5%). The differences are explained below:

Factors affecting tax charge for the year	2012 £'000	2011 £'000
(Loss)/profit on ordinary activities before tax	(83,483)	28,187
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25.5% (2011: 27.5%)	(21,288)	7,751
Effects of:		
Dividends received	(7,460)	(2,850)
Expenses not deductible/(income not assessable) for tax purposes:		
- Amortisation of goodwill	433	573
- Impairment of goodwill	11,698	-
- Impairment of investment	4,713	-
- Other	(207)	(728)
Capital allowances for year (in excess of)/less than depreciation	(238)	(506)
Share based compensation	230	122
Pension cost relief below pension cost charge	(217)	(154)
Utilisation of provisions	(2)	(1)
Losses not recognised	8,548	-
Prior year adjustment	(1,821)	(1,168)
Total current tax (credit)/charge	(5,611)	3,039

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.

Factors affecting future tax charges

During the year, the Finance Act 2011 was enacted and a resolution passed by Parliament on 26 March 2012 which reduced the main rate of corporation tax from 26% to 24% from 1 April 2012. As a result deferred tax balances have been remeasured. Deferred tax balances relating to timing differences, which are expected to reverse after 1 April 2012, are measured at a tax rate of 24%.

In addition to the changes in rates of Corporation tax disclosed above, a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was also passed by Parliament on 3 July 2012 as part of the Finance Bill 2012. A further reduction to the main rate is also proposed to reduce the rate to 22% from 1 April 2014. None of these rate reductions had been substantively enacted at the financial position date and, therefore, are not included in these financial statements.

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

10 Intangible fixed assets

	Other intangible assets	Goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 July 2011	1,957	54,841	56,798
Additions (see note 25)	2,500	13,677	16,177
At 30 June 2012	4,457	68,518	72,975
Accumulated amortisation			
At 1 July 2011	(1,425)	(11,709)	(13,134)
Charge for the financial year	(371)	(2,189)	(2,560)
Impairment of goodwill	-	(54,620)	(54,620)
At 30 June 2012	(1,796)	(68,518)	(70,314)
Net book amount			
At 30 June 2012	2,661	-	2,661
At 30 June 2011	532	43,132	43,664

Other intangible assets include customer lists, supplier lists and computer software acquired as part of the acquisitions of Recommit Limited, Life Cycle Services Limited and the trade and assets of Wincanton Recycling

The addition to other intangible assets is for customer and supplier lists recognised as part of the acquisition of S3 Interactive Limited (note 25(c))

Goodwill is monitored and tested for impairment. The recoverable amount has been determined based on the higher of fair value less costs to sell or value-in-use calculations. The value-in-use calculations use a 5-year cash flow projection, a discount rate of 10.8% (2011: 10.5%) and a long term growth rate of 0.0% (2011: 0.0%)

Due to the difficult economic conditions a goodwill impairment test was performed as at 31 December 2011 and resulted in impairment charges of £14.7m being recognised. A further impairment of £39.9m was identified at 30 June 2012 following the write down to inventory at that date (note 8)

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

11 Tangible fixed assets

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Plant, machinery, vehicles and fixtures £'000	in the course of construction £'000	Total £'000
Cost					
At 1 July 2011	13,836	22,106	87,943	20,117	144,002
Additions	4,094	2,370	17,293	-	23,757
Acquisitions	320	55	558	-	933
Transfers	-	-	20,117	(20,117)	-
Disposals	-	(3)	(2,624)	-	(2,627)
At 30 June 2012	18,250	24,528	123,287	-	166,065
Accumulated depreciation					
At 1 July 2011	(1,677)	(5,804)	(41,178)	-	(48,659)
Charge for the financial year	(601)	(1,944)	(9,734)	-	(12,279)
Disposals	-	3	2,550	-	2,553
At 30 June 2012	(2,278)	(7,745)	(48,362)	-	(58,385)
Net book value					
At 30 June 2012	15,972	16,783	74,925	-	107,680
At 30 June 2011	12,159	16,302	46,765	20,117	95,343

The net book value of assets held under finance leases and hire purchase agreements was £159,000 (2011 £568,000) The value of land not subject to depreciation was £11,417,000 (2011 £8,317,000) The value of interest capitalised in the year was £nil (2011 £nil)

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

12 Fixed asset investments

Shares in subsidiary undertakings	£'000
As at 1 July 2011	150,201
Additions	20,070
Impairment	(18,482)
As at 30 June 2012	151,789

As a result of a group restructuring in June 2012 £19.2m dividends were received from dormant subsidiary companies. Subsequently an impairment review of the investments in these subsidiary companies was carried out. This resulted in an impairment in investments of £18.5m, bringing the investment down to their recoverable value.

Summary of additions

Name of entity	Total investment
	£'000
Deane Wood Export Limited	4,481
S3 Interactive Limited	13,758
Brook Street Metal Co. Limited	1,831
Total	20,070

On 19 August 2011 the company acquired 100% of the share capital of Deane Wood Export Limited. The purchase price, including acquisition costs, was £4,481,000.

On 29 September 2011 the company acquired 100% of the share capital of S3 Interactive Limited. The purchase price, including acquisition costs, was £13,758,000.

On 27 February 2012 the company acquired 100% of the share capital of Brook Street Metal Co. Limited. The purchase price, including acquisition costs, was £1,822,000.

Sims Group UK Limited

Notes to the financial statements

for the year ended 30 June 2012 (continued)

12 Fixed asset investments (continued)

Investments comprise equity shares in subsidiary undertakings, the key subsidiaries are listed below

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 M+R GmbH *	Germany	Holding company	100%
Sims Lifecycle Services GmbH (formerly Sims Technorecycle GmbH)*	Germany	Electronic scrap recycling	100%
Sims Recycling Solutions UK Holdings Limited	Scotland	Holding company	100%
Sims Recycling Solutions UK Group Limited	Scotland	Holding company	100%
Sims Recycling Solutions UK Limited*	Scotland	Dormant	100%
Sims Recycling Solutions AB	Sweden	Electronic scrap recycling	100%
Mirec BV	Netherlands	Electronic scrap recycling	100%
Sims Recycling Solutions Coöperatief B A	Netherlands	Electronic scrap recycling	100%
Sims Recycling Solutions NV*	Belgium	Electronic scrap recycling	100%
Sims Group Recycling Solutions Canada Ltd	Canada	Electronic scrap recycling	100%
Sims Recycling Solutions Holdings Inc	USA	Electronic scrap recycling	100%
Sims Recycling Solutions Inc*	USA	Electronic scrap recycling	100%
Sims Recycling Solutions FZE	Dubai	Electronic scrap recycling	100%
Sims Recycling Solutions SARL	France	Dormant	100%
Sims metrade GmbH*	Austria	Electronic scrap recycling	100%
Sims Recycling Solutions Holding Austria GmbH	Austria	Dormant	100%
Sims Recycling Solutions Anteilsverwaltung Austria GmbH*	Austria	Dormant	100%
Sims Lifecycle Services BV	Netherlands	Electronic scrap recycling	100%
Sims Lifecycle Services s r o	Czech Republic	Electronic scrap recycling	100%
Sims Recycling Solutions Sp z o o (formerly Device Polska z o o)	Poland	Electronic scrap recycling	100%
Sims Lifecycle Services Kft	Hungary	Electronic scrap recycling	100%
ErgoTrade d o o	Croatia	Electronic scrap recycling	100%
Deane Wood Export Limited†	England and Wales	Dormant	100%
Brook Street Metal Co Limited†	England and Wales	Dormant	100%
S3 Interactive Limited†	Scotland	Dormant	100%

* Held by subsidiary undertakings of Sims Group UK Limited

† Investments acquired during the current year

In the opinion of the directors the value of these investments as at 30 June 2012 is not less than the aggregate amounts in the balance sheets at that date

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

13 Stocks

	2012	2011
	£'000	£'000
Raw materials	36,209	36,718
Finished goods and goods for resale	90,862	111,585
Consumables and spares	9,204	7,974
	136,275	156,277

There are no material differences between the value of stocks and their replacement cost

14 Debtors

	2012	2011
	£'000	£'000
Trade debtors	55,213	80,210
Amounts owed by group undertakings	7,830	4,342
Taxation and social security	13,079	6,971
Other debtors	54	879
Prepayments	3,934	4,704
	80,110	97,106

In the current year the amounts owed by group undertakings were all trading balances and were not subject to interest. In the prior year these included non trading balances and were unsecured, repayable on demand and interest bearing at a rate 1.77%. The rate is the average of monthly interest rates.

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

15 Creditors

	Amounts falling due within one year		Amounts falling due after more than one year	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Bank loans	12,100	5,500	117,300	75,000
Trade creditors	72,653	81,614	-	-
Amounts due to group undertakings	152,546	186,386	-	-
Other creditors	1,972	3,824	-	-
Hire purchase creditor (note 18)	102	109	40	142
Accruals and deferred income	9,657	8,211	-	-
	249,030	285,644	117,340	75,142

Non trading balances within the amounts owed to group undertakings are unsecured and interest bearing at a rate of 2.33% p a (2011 either 2.33% p a), and are repayable on demand. The rate is the average of monthly interest rates.

The bank loans are secured by floating charges over the Sims Metal Management group's assets and by various guarantees, cross guarantees and debentures given by group undertakings. The bank loans are repayable in 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	2012	2011
	£'000	£'000

Between one and two years:

Bank loans	117,300	75,000
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Deferred income includes grants as follows	2012	2011
	£'000	£'000

At 1 July	4,178	3,191
Acquisitions	-	1,397
Credited to profit and loss account	(346)	(410)
At 30 June	3,832	4,178

Other creditors includes amounts payable to pension schemes as follows	2012	2011
	£'000	£'000
Defined contribution scheme	109	104
Defined benefit scheme	49	60

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

16 Provisions for liabilities

	Deferred taxation	Holiday pay provisions	Total
	£'000	£'000	£'000
At 1 July 2011	1,480	69	1,549
Charged/(credited) to the profit and loss account	(1,569)	(10)	(1,579)
Charged to statement of total recognised gains and losses	24	-	24
Additions	65	-	65
At 30 June 2012	-	59	59

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.

17 Deferred taxation

Deferred tax is fully provided in the financial statements and calculated at 24% (2011: 27.5%) as follows:

	2012	2011
	£'000	£'000
Accelerated capital allowances	2,030	1,698
Losses	(1,986)	-
Asset in respect of stock based compensation	(224)	(261)
Provision in respect of intangibles	232	61
Asset in respect of holiday pay provision	(14)	(18)
Asset in respect of other provisions	(38)	-
	-	1,480
At 1 July	1,480	666
Charged to profit and loss	(1,215)	1,145
Change in tax rate	(354)	(311)
Charged/(credited) to statement of total recognised gains and losses	24	(32)
Acquisitions	65	12
At 30 June	-	1,480

There are unrecognised losses carried forward of £27.3m (2011: £nil).

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

17 Deferred taxation (continued)

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

	2012	2011
	£'000	£'000
At 1 July	(110)	353
Deferred tax (charged)/credited in profit and loss account (note 9)	(106)	60
Deferred tax credited/(charged) to the statement of total recognised gains and losses on actuarial movement	853	(523)
At 30 June	637	(110)

18 Operating lease and capital commitments

There is a capital commitment of £nil (2011 £nil) for the acquisition of plant and equipment due within one year

Future commitments under operating lease agreements are as follows:

	2012	2011
	£'000	£'000
Land and buildings		
Due within one year	2,811	73
Due within two to five years	836	1,173
Due after five years	3,680	3,490
	7,327	4,736
Other		
Due within one year	129	518
Due within two to five years	5,243	2,886
	5,372	3,404

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

18 Operating lease and capital commitments' (continued)

Future commitments under hire purchase agreements are as follows:	2012	2011
	£'000	£ 000
Due within one year	133	143
Due within two to five years	52	185
	185	328
Less interest and finance charges relating to future years	(43)	(77)
	142	251
Hire purchase agreements are analysed as follows		
Current obligations	102	109
Non-current obligations	40	142
	142	251

19 Called-up share capital

	2012	2011
	£'000	£'000
Issued, allotted and fully paid:		
145,398,000 (2011 145,398,000) ordinary shares of £1 (2011 £1) each	145,398	145,398

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

20 Profit and loss account

	Profit and loss account £'000
At 1 July 2011	53,460
Prior year adjustment	(5,950)
Restated balance as at 1 July 2011	47,510
Loss for the financial year	(76,461)
Dividends paid in the financial year	(1,400)
Actuarial movement net of deferred taxation	(3,129)
At 30 June 2012	(33,480)

21 Reconciliation of movement in total shareholders' funds

	2012 £'000	2011 restated £'000
(Loss)/profit for the financial year	(76,461)	24,372
Dividends paid in the financial year	(1,400)	(10,364)
Equity settled share based payments	998	1,958
Recharge from Ultimate Parent in respect of share based payments	(998)	(1,958)
Actuarial movement net of deferred taxation	(3,129)	601
Net movement in foreign currency investment hedge	-	-
Net change to total shareholders' funds	(80,990)	14,609
Opening total shareholders' funds as previously reported	198,858	181,258
Prior year restatement	(5,950)	(2,959)
Opening shareholders' funds as restated	192,908	178,299
Closing total shareholders' funds	111,918	192,908

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

22 Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard 8 "Related Party Disclosures" relating to wholly owned subsidiary undertakings and has not disclosed details of transactions with other undertakings within the group

The group financial statements of the ultimate parent company are publicly available (note 27)

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 2012

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 29.2% (2011: 20.6%) of payroll (of which an average of 11.5% (2011: 7.8%) is expected to be paid by members) plus additional contributions of £50,750 (2011: £50,750) per month.

A full actuarial valuation of the defined benefit scheme was carried out at 6 April 2009 and updated to 30 June 2012 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.

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

	2012	2011
	%	%
Rate of increase in salaries	3.3	3.9
Pension increases linked to price inflation – benefits accrued pre 6 April 2006 (5% maximum)	2.8	3.3
Pension increases linked to price inflation – benefits accrued post 5 April 2006 (3% maximum)	2.3	2.6
Discount rate	4.5	5.5
Inflation assumption	2.8	3.4

The actuarial assumptions for life expectancy adopted at 30 June 2012 reflect the expectations of longevity broadly consistent with the 2009 actuarial valuation, specifically the PA92 "medium cohort" mortality tables.

The assumption as at 30 June 2012 has been updated to reflect the expectations of longevity consistent with those agreed for the 2012 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.

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

23 Pension commitments (continued)

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

	2012	2012	2011	2011
	%	£'000	%	£'000
Equities	5.90	14,699	6.30	10,354
Property	4.40	2,497	5.30	2,568
Cash	2.40	334	4.30	4,781
Corporate bonds	4.50	3,565	5.50	3,276
Total market value of assets		21,095		20,979
Present value of scheme liabilities		(23,745)		(20,355)
(Deficit)/surplus in scheme		(2,650)		624
Related deferred tax asset/(liability)		636		(111)
Net pension (liability)/asset		(2,014)		513

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.

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

	2012	2011
	£'000	£'000
Current service cost	185	192

Analysis of the amount that has been credited/(charged) to other finance income/(costs):

	2012	2011
	£'000	£'000
Expected return on pension scheme assets	1,184	1,012
Interest cost	(1,112)	(1,036)
Net finance income/(costs)	72	(24)

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

23 Pension commitments (continued)

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

	2012	2011
	£'000	£'000
Actual return less expected return on pension scheme assets	(1,422)	1,009
Changes in assumptions underlying the present value of the scheme liabilities	(2,560)	115
Actuarial loss/(gain) that has been recognised in STRGL	(3,982)	1,124

Actuarial gains and losses:

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £9,107,000 (2011 £5,125,000)

Reconciliation of scheme assets:

	2012	2011
	£'000	£'000
Scheme assets at 1 July	20,979	18,523
Expected return on scheme assets	1,184	1,012
Actuarial (losses)/gains	(1,422)	1,009
Employer contributions	821	845
Member contributions	137	144
Benefits paid	(604)	(554)
Surplus in scheme at 30 June	21,095	20,979

Actual return on scheme assets for the year was a loss of £238,000 (2011 profit of £2,021,000)

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

23 Pension commitments (continued)

History of experienced gains and losses:

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(23,745)	(20,355)	(19,652)	(15,837)	(17,604)
Fair value of scheme assets	21,095	20,979	18,523	15,879	17,814
(Deficit)/surplus	(2,650)	624	(1,129)	42	210
Experience gains and losses on scheme assets	(1,422)	1,009	1,661	(2,858)	(2,353)
Experience gains and losses on scheme liabilities	-	(188)	71	-	-
Total amount recognised in the statement of total recognised gains and losses	(3,982)	1,124	(1,322)	(236)	(2,182)
Cumulative amounts recognised in the statement of total recognised gains and losses	(9,107)	(5,125)	(6,249)	(4,927)	(4,691)

Reconciliation of scheme liabilities:

	2012	2011
	£'000	£'000
Present value of scheme liabilities at 1 July	20,355	19,652
Current service cost	185	192
Interest cost	1,112	1,036
Scheme members' contributions	137	144
Actuarial losses/(gains)	2,560	(115)
Benefits paid	(604)	(554)
Present value of scheme liabilities at 30 June	23,745	20,355

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

24 Share-based payments

Sims Metal Management Limited's share ownership plans are designed to link the rewards of eligible employees to the long-term performance of the group and the returns generated for shareholders. The maximum number of shares that can be outstanding at any time under the share ownership plans is limited to 5% of the Sims Metal Management Limited's issued capital. Grants under the share ownership plans can be in the form of options or share rights. Certain share ownership plans also provide for cash-settlements which are determined by the Board.

An option is a contract that gives the holder the right, but not the obligation, to acquire the Sims Metal Management Limited's shares at a fixed or determinable price for a specified period of time. Options have an exercise price based on the weighted average market price of the ordinary shares during the five trading days up to the date of the grant. Share rights are a contractual right to acquire the shares for nil consideration. Unless specified in the grants, holders of options and share rights are not entitled to dividends or voting rights.

(a) Effect of share-based payments on profit or loss

The expense recognised in the income statement in relation to share-based payments is disclosed in Note 3. There is no outstanding liability in relation to share based payments. Where share-based awards are issued, Sims Group UK Limited compensates Sims Metal Management Limited for the fair value of these share-based awards.

(b) Long-Term Incentive Plan ("LTIP")

In July 2003, the Company established an LTIP designed as a reward and retention tool for certain employees. Options and share rights granted under the LTIP may vest either based on continuous service or based on performance conditions. Share rights which contain performance conditions are referred to as performance rights whereas share rights which only contain a continuous service condition are referred to as restricted share units. Refer to the Remuneration Report within the group financial statements for further information on the terms of the grants made in the year ended 30 June 2012 pursuant to the LTIP.

(i) Share options

The fair value of options granted (including cash-settled options) is independently determined using a Binomial method which allows for the effects of an early exercise for vested options assuming the share price exceeds one and a half times the exercise price. The significant weighted assumptions used to determine the fair value were as follows:

	2012	2011
Risk-free interest rate	3.9%	5.1%
Dividend yield	3.0%	3.0%
Volatility	43.0%	39.6%
Expected life (years)	4.2	3.8
Share price at grant date	£8.46	£10.87
Weighted average fair value	£2.60	£3.36

Volatility for the ordinary shares is based on historical share price.

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

24 Share-based payments (continued)

Share options outstanding:	2012	2012	2011	2011
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
At 1 July	322,192	£11.63	221,838	£11.96
Granted	174,350	£8.34	100,354	£10.89
Exercised	-	£0.00	-	£0.00
Forfeited	-	£0.00	-	£0.00
At 30 June	496,542	£10.47	322,192	£11.63
Exercisable at 30 June	227,781	£11.22	120,381	£11.21

(ii) Performance rights

Performance rights vest after a period of three to five years, but only if the performance hurdles has been met. Performance hurdles are either based on Total Shareholder Return ("TSR") or on non-market based performance criteria.

Performance-based share right grants made in the years ended 30 June 2011 and 30 June 2012 are measured using a TSR hurdle over a three year period (commencing at the beginning of the financial year) against a comparator group of companies. Full vesting of the performance share rights occurs when Sims Metal Management Limited's TSR is at (or exceeds) the 75th percentile relative to the comparator group, scaling down to 50% vesting on a straight-line basis for median performance. Below median performance, no vesting occurs.

Initial TSR performance is tested at the third anniversary of the commencement of the performance period, with subsequent performance testing possible at the fourth and fifth anniversaries of the commencement of the performance period. The fair value of performance share rights granted is independently determined using a Black-Scholes method to produce a Monte-Carlo simulation model which allows for the incorporation for a TSR performance condition that must be met before the share rights vest. The significant weighted assumptions used to determine the fair value were as follows:

	2012	2011
Dividend yield	3.0%	3.0%
Risk-free interest rate	3.9%	5.2%
Volatility	43.0%	49.0%
Share price at grant date	£8.46	£10.87

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

24 Share-based payments (continued)

Performance rights outstanding:	2012	2012	2011	2011
	Number of shares	Weighted average value at grant date	Number of shares	Weighted average value at grant date
Non-vested balance at 1 July	142,135	£9.70	129,058	£10.04
Granted	70,287	£6.65	43,501	£8.69
Forfeited	-	-	(3,932)	£11.60
Vested	(6,144)	£12.06	(26,492)	£9.70
Non-vested balance at 30 June	206,278	£8.59	142,135	£10.69

(iii) Restricted share units

Restricted share units granted to employees typically vest over a period up to three years. The fair value of restricted share units is determined based on the market price of the Sims Metal Management Limited's shares on the date of grant and Sims Metal Management Limited's dividend yield.

Restricted share units outstanding:	2012	2012	2011	2011
	Number of shares	Weighted average value at grant date	Number of shares	Weighted average value at grant date
Non-vested balance at 1 July	36,893	£8.42	-	-
Granted	-	-	36,893	£8.42
Vested	(1,000)	£10.13	-	-
Non-vested balance at 30 June	35,893	£8.37	36,893	£8.42

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Notes to the financial statements for the year ended 30 June 2012 (continued)

25 Acquisitions

During the year, the company acquired the trade and assets of A F Sansom as well as 100% shareholdings in Deane Wood Export Limited, S3 Interactive Limited and Brook Street Metal Co Limited. These transactions are detailed below.

The fair value of the assets and liabilities has been assessed by management and these are deemed to be at net book value. There were no costs relating to post-acquisition reorganisation or restructuring.

(a) A F Sansom

On 12 March 2012 Sims Group UK Limited acquired the trade and assets of A F Sansom. The consideration paid was £600,000 and the net assets acquired were £nil, resulting in goodwill recognised of £600,000.

(b) Deane Wood Export Limited

On 17 August 2011 Sims Group UK Limited acquired 100% of the shares of Deane Wood Export Limited. The consideration paid was £4,481,000, including acquisition costs of £116,000. Following the share sale the assets and liabilities of Deane Wood Export Limited were immediately hived up.

The fair value of net assets acquired was £1,840,000, resulting in goodwill recognised of £2,641,000, as set out in the table below.

Goodwill on transfer of Deane Wood Export Limited

	Book value	Adjustment	Fair value
	£'000	£'000	£'000
Fixed assets	308	-	308
Stock	159	-	159
Debtors	973	-	973
Cash at bank and in hand	931	-	931
Creditors	(531)	-	(531)
Net assets acquired	1,840	-	1,840
Goodwill			2,641
Consideration			4,481
Consideration satisfied by			4,481
Cash			

The profit of the acquired business for the financial year up to hive up was £533,000. The profit for the preceding financial year to 31 July 2010 was £485,000.

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

25 Acquisitions (continued)

(c) S3 Interactive Limited

On 29 September 2011 Sims Group UK Limited acquired 100% of the shares of S3 Interactive Limited. The consideration paid was £13,758,000, including acquisition costs of £109,000. Following the share sale the assets and liabilities of S3 Interactive Limited were immediately hived up.

The fair value of net assets acquired was £4,358,000, resulting in goodwill recognised of £9,400,000, as set out in the table below.

Goodwill on transfer of S3 Interactive Limited

	Book value	Adjustment	Fair value
	£'000	£'000	£'000
Fixed assets	250	-	250
Intangible asset	-	2,500	2,500
Stock	740	-	740
Debtors	1,119	-	1,119
Cash at bank and in hand	2,050	-	2,050
Creditors	(2,301)	-	(2,301)
Net assets acquired	1,858	2,500	4,358
Goodwill			9,400
Consideration			13,758
Consideration satisfied by			13,758
Cash			

The profit of the acquired business for the financial year up to hive up was £400,000. The profit for the preceding financial year to 30 September 2011 was £1,247,000.

The £2,500,000 fair value adjustment relates to the recognition of customer and supplier lists as a separate intangible asset.

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Notes to the financial statements for the year ended 30 June 2012 (continued)

25 Acquisitions (continued)

(d) Brook Street Metal Co Limited

On 27 February 2012 Sims Group UK Limited acquired 100% of the shares in Brook Street Metal Co Limited. The consideration paid was £1,831,000, including acquisition costs of £59,000. Following the share sale the assets and liabilities of Brook Street Metal Co Limited were immediately hived up.

The fair value of net assets acquired was £795,000, resulting in goodwill recognised of £1,036,000, as set out in the table below.

Goodwill on transfer

	Book value	Adjustment	Fair value
	£'000	£'000	£'000
Fixed assets	375	-	375
Stock	50	-	50
Debtors	125	-	125
Cash at bank and in hand	388	-	388
Creditors	(143)	-	(143)
Net assets acquired	795	-	795
Goodwill			1,036
Consideration (including £59,000 of acquisition costs)			1,831
Consideration satisfied by			1,831
Cash			

The loss of the acquired business for the financial year up to acquisition was £85,000. The profit for the preceding financial year to 30 September 2011 was £131,000.

Sims Group UK Limited

Notes to the financial statements for the year ended 30 June 2012 (continued)

26 Financial instruments

	2012	2012	2011	2011
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
Derivatives – forward rate contracts	-	229	-	1,905

At 30 June 2012 the gross value of the forward contracts was £78,918,000 (2011 £120,437,000), matched against current and future sales of £78,918,000 (2011 £120,437,000)

27 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 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.

28 Group guarantee arrangements

The company is part of a group guarantee arrangement whereby its assets and liabilities form part of the security for the group's debt facilities, which is debt held by the ultimate parent undertaking or any of its subsidiaries.