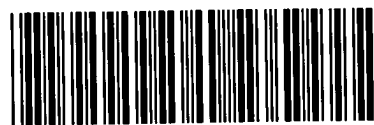


Company Registration No. 03242331 (England and Wales)

**SIMS GROUP UK LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

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## **SIMS GROUP UK LIMITED**

### **COMPANY INFORMATION**

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<b>Directors</b>	Mr D Williams Mr M Saunders Mr S M Skurnac Mr P M Wright
<b>Secretary</b>	Mr D Williams
<b>Company number</b>	03242331
<b>Registered office</b>	Long Marston Stratford-upon-Avon Warwickshire CV37 8AQ
<b>Auditor</b>	Deloitte LLP
<b>Bankers</b>	HSBC Bank Plc 60 Queen Victoria Street London EC4N 4TR  J P Morgan Chase Chaseside Bournemouth Dorset BH7 7DA
<b>Solicitors</b>	Eversheds Sutherland 115 Colmore Row Birmingham United Kingdom B3 3AL

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## **SIMS GROUP UK LIMITED**

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## **SIMS GROUP UK LIMITED**

### **STRATEGIC REPORT**

***FOR THE YEAR ENDED 30 JUNE 2020***

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The directors present the strategic report for the year ended 30 June 2020.

#### **Review of the business**

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

The results for 2020 have been impacted by the worldwide Covid-19 pandemic and by changes in legislation in our key markets. There have also been initiatives in key markets in respect of the improvement of product quality.

During the year the Company earned a net loss of £57,160,000 (2019: £5,559,000 profit) while the closing net asset position was £99,623,000 (2019: £202,800,000).

In September 2019, in response to tough market conditions, the management of the UK Metals business took the decision to close eleven sites reducing the number of active sites from 47 to 36. Having embedded these changes by March 2020, the business was further hit by the global Covid-19 pandemic. In early July 2020 a further announcement was made regarding the potential closure of a further seven sites and a reduction of 150 employees. The sites earmarked for closure did not re-open and the employee reductions have been substantially enacted. These cost reductions were required to ensure that there was a sustainable business performance into the future, reducing costs, whilst maintaining as far as possible site processing capacity.

The current strategy for the business is to consolidate on the recent changes made and then look to grow the business via organic opportunities and potentially acquisitions, where there are clear business synergies. Organic growth will be driven by an investment in technologies to improve segregation and promote more efficient processing of infeed material.

The Company is also very much bought into the overall strategy of the Sims Group, which is set out in the Group's annual report.

#### **Principal risks and uncertainties**

The Company recognises that the effective management of risk is essential to achieving the Group's objectives of maximising performance and meeting its commitments to all stakeholders, including its employees, customers and the wider community. The Company has adopted a Risk Management Policy and a statement on internal compliance and control systems. The process of risk recognition and management is addressed through a framework of policies, procedures and internal controls. To help ensure all risks relevant to the Company are considered, a systematic approach to risk identification is followed.

The Company's operations expose it to a variety of financial risks that include foreign exchange risk, credit risk, commodity price risk, liquidity risk and capital risk. These risks are discussed in the section of this report dealing with financial instruments and risk management on pages 6 & 7.

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

**SIMS GROUP UK LIMITED****STRATEGIC REPORT (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****Climate change**

The company recognises that climate change could have meaningful impacts on the financial performance of the Group over time and has begun the process of identifying key risks and, where possible, commenced action to mitigate their impact. The key risks identified centre around the potential for increased, and more extreme, weather events impacting:

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

These risks are currently not expected to have a material impact on the company's financial performance.

However with effect from July 2018, all capex approvals over a threshold value require consideration of the impact of climate change as a standard practice.

**Financial key performance indicators**

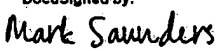
The management of the business and the execution of the Company's strategy are subject to a number of risks, the most significant of which are the health and safety of our employees and pressures on supply and demand. These risks are managed by the use of key performance indicators and regular monitoring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

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

	<b>2020</b>	<b>2019</b>
<i>Revenue from continuing operations (£million)</i>	487	669
<i>EBITDA* before restructuring result from continuing operations (£million)</i>	(55)	10
<i>Operating (loss)/profit before restructuring result from continuing operations (£million)</i>	(70)	(1)
<i>- Depreciation*</i>	15	10
<i>- Restructuring*</i>	7	3

\*EBITDA is calculated as operating (loss)/ profit plus depreciation and amortisation.

On behalf of the board

DocuSigned by:  


349DD31C2F2249B.....  
 Mr M Saunders

**Director**

2/3/2021.....

## **SIMS GROUP UK LIMITED**

### **DIRECTORS' REPORT**

#### ***FOR THE YEAR ENDED 30 JUNE 2020***

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The directors present their annual report and financial statements for the year ended 30 June 2020.

#### **Statement of directors' responsibilities**

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), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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; and
- 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.

#### **Results and dividends**

The results for the year are set out on page 17.

Ordinary dividends were paid amounting to £46,964,000. The directors do not recommend payment of a final dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

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

## **SIMS GROUP UK LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 30 JUNE 2020***

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#### **Directors' indemnities**

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

#### **Political donations**

There were no political donations made during the year (2019: £nil).

#### **Future developments**

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

#### **Supplier 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 2020 were 50 days (2019: 42 days). This change was due to timing and classification rather than a significant change in payment practices by the Company.

#### **Research and development**

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.

#### **Disabled persons**

Applications for employment by disabled persons are always fully 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 within the company's continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **Employee involvement**

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

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

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

## **SIMS GROUP UK LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 30 JUNE 2020**

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##### **Brexit**

The impact of the UK leaving the European Union on 31 January 2020 has had no noticeable impact on the trading of the business. During the transitional period, which ended on 31 December 2020, there has been very little change to the business environment as a result of Brexit and we have not seen a significant change in the first few days of 2021 following the end of the transitional period.

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

##### **Going concern**

The Company is in a net asset position of £99,623,000 (2019: £202,800,000). The Company meets its day-to-day working capital requirements through its bank facilities and intercompany loans.

In September 2019 there was a significant crash in prices in the ferrous market, which was followed by a period where market volumes were subdued. This has had a significant impact on the trading in the first half of the year ending 30 June 2020. As a result the business has taken action to restructure leading to the closure of 11 sites, whilst expanding four other sites to create larger multi-functional sites. The business reported a statutory loss of £57.160m in the full year to 30 June 2020, which included £13.420m relating to costs and provisions associated with the restructuring and impairment losses of £38.889m. The strategic result will result in a lowered operating costs basis while maintaining operational capacity at close to FY19 levels.

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

##### **Covid-19**

The global economic impact of Covid-19 continues to be significant. When analysing the impact of the virus on Sims, the most important risks and uncertainties are the availability of the work force, the disruptions to the supply of materials and the global demand for scrap metal. Sims Group UK Limited ("Sims") core markets continued to function relatively normally until the lockdown of the UK in late March 2020. To mitigate the adverse impact of Covid-19 on Sims activities, the company decided at the end of March 2020 to temporarily close for incoming material and focus on clearing existing stocks to fulfil existing sales contracts, however this led to a decrease in turnover of 21% in April and 26% in May compared to these same months in the prior year. This helped Sims to reduce its costs base, with reduced operations and staff across the UK being furloughed. The Company participated in the UK Governments Job Retention Scheme and made furlough claims totalling £2.273m for the year.

As set out in the strategic report, in July 2020 management announced the potential closure of seven sites and a reduction of 150 employees. The sites earmarked for closure have not re-opened and the employee reductions have been substantially enacted.



## **SIMS GROUP UK LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### ***FOR THE YEAR ENDED 30 JUNE 2020***

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In late April, a number of Sims larger sites opened to intake material. Initially volumes were relatively low in April and May at well below 50% of intake. However from June onwards volumes rose significantly. Volumes have generally been maintained during the various Government measures to control the spread of the virus as the key sectors generating scrap metal have only been marginally impacted. In January 2021, the Government has announced a further lockdown, however at this stage it is envisaged that any deterioration in resulting volumes will be marginal. In fact, in late 2020 and early 2021 the acceleration in global demand for scrap metal has seen a substantial rise in commodity prices from which the Company is well placed to benefit.

In order to comply with local Covid-19 legislation, we have put new work instructions in place, such as social distancing and invested in the necessary personal protective equipment to comply with UK requirements. Sims have sufficient access to funds available through group financing facilities to meet liabilities as they fall due and acquire materials as they become more readily available from suppliers.

The course of the global pandemic continues to evolve and we will continue to carefully monitor the impact on the business, however at this stage we anticipate in early 2021, a continuation of the trends we have seen in the second half of 2020.

Management has performed a worst case scenario, in order to test the impact of capital requirements over the next 12 months. The reasonable worst case scenario was based on:

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

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

#### **Letter of support**

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

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

#### **Financial instruments**

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

## **SIMS GROUP UK LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 30 JUNE 2020***

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#### **Liquidity risk**

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

#### **Interest rate risk**

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

#### **Foreign exchange risk**

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

#### **Credit risk**

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

#### **Commodities price risk**

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

#### **Capital risk**

The Company's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group manages its capital in order to provide sufficient funds for the Company's activities. Future capital requirements are regularly assessed and Board decisions taken as to the most appropriate source for obtaining the required funds, be it through internal revenue streams, external funding or selling assets.

## SIMS GROUP UK LIMITED

## DIRECTORS' REPORT (CONTINUED)

## FOR THE YEAR ENDED 30 JUNE 2020

## Energy and carbon report

The gross greenhouse gas (GHG) emissions for the Sims Group UK Limited is **20,933** tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) at an emissions intensity of **32.48** tCO<sub>2</sub>e per £m revenue for the period 1st July 2019 to 30th June 2020.

The gross GHG emissions figure includes all material scope 1, 2 plus Scope 3 required to be disclosed by the SECR legislation; that is the emissions associated with the purchase of electricity, the combustion of gas and the consumption of fuel for the purposes of transport. The emissions also include a proportion of fuel combusted in stationary plant, as well as the emissions from the Transmission and Distribution of Electricity, which are reported voluntarily.

The UK Groups greenhouse gas emissions are broken down in the following sections.

## Greenhouse gas emissions

Table 1 - Greenhouse gas emissions by source (tonnes CO<sub>2</sub>e)

<i>Emissions source</i>	<i>2019/20</i>	<i>Share %</i>
<b>Fuel combustion: Natural gas</b>	<b>178</b>	<b>&lt;1%</b>
<i>Fuel combustion: Transport and Stationary Plant</i>	<i>12,255</i>	<i>59%</i>
<i>Emissions from the consumption of Electricity</i>	<i>8,500</i>	<i>41%</i>
<i>Gross Total emissions (tCO<sub>2</sub>e)</i>	<i>20,933</i>	<i>100%</i>
<b>Revenue £(m)</b>	<b>644,433,117</b>	
<i>Intensity: (Gross tCO<sub>2</sub>e owe £1m of revenue)</i>	<i>32</i>	

Table 2- Greenhouse gas emissions by scope (tonnes CO<sub>2</sub>e)

<i>Emissions source</i>	<i>Scope 1 (tCo2e)</i>	<i>Scope 2 (tCo2e)</i>	<i>Scope 3 (tCo2e)</i>	<i>Total (tCo2e)</i>
<b>Combustion of Natural Gas</b>	<b>178</b>	-	-	<b>178</b>
<i>Fuel combustion: Transport and Stationary Plant</i>	<i>12,255</i>	-	-	<i>12,255</i>
<i>Electricity Consumption</i>	-	<i>7,827</i>	<i>673</i>	<i>8,500</i>
<i>Total</i>	<i>12,433</i>	<i>7,827</i>	<i>673</i>	<i>20,933</i>
<b>Share of Total</b>	<b>59%</b>	<b>37%</b>	<b>3%</b>	<b>100%</b>

## SIMS GROUP UK LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### FOR THE YEAR ENDED 30 JUNE 2020

#### Energy consumption

**Table 3 : Energy consumption (kWh)**

<i>Emissions source by year (kWh)</i>	<i>2019/20</i>	<i>% of Total</i>
<b>Electricity Consumption</b>	<b>33,571,795</b>	<b>40.3%</b>
<i>Combustion of Natural Gas</i>	<i>970,338</i>	<i>1.1%</i>
<i>Fuel used for Transport and in Stationary Plant</i>	<i>48,858,640</i>	<i>58.6%</i>
<b>Total consumption (kWh)</b>	<b>83,400,773</b>	<b>100%</b>
<b>Revenue (£)</b>	<b>644,433,117</b>	
<i>Intensity: (tCO<sub>2</sub>e £m)</i>	<i>129,417</i>	

#### Boundary, methodology and exclusions

The data contained in this document is calculated and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, March 2019.

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary. This approach captures emissions associated with the operation of buildings within the scope of the regulation, plus transport and stationary plant. This report covers UK operations only, as required by SECR for Non-Quoted Large Companies. This report also includes emissions from stationary plant under Scope 1 and transmission and distribution (T&D), which is a voluntary scope 3 emission that means the losses in transmission between sources of supply and points of distribution are included in the carbon emissions. By combining the T&D emissions with those from the generation of purchased electricity provides the emissions associated with electricity consumption, which is considered best practice.

Sims Group UK Limited is not listed on a stock exchange such as the London Stock Exchange, so is classified as a Non-Quoted Large Company for the purpose of regulatory compliance.

Approximately 2% of the total carbon emission is estimated (~1% electricity and ~1% gas), which is allowed in accordance with the methodology, in those instances data is not available.

Emissions have been calculated using the 2020 conversion factors provided by Department of Business, Energy. The reporting period is July 2019 to June 2020, as per the financial accounts.

## SIMS GROUP UK LIMITED

### DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

#### Energy efficiency initiatives

Sims Group UK Limited aims to operate in an environmentally efficient manner to reduce harm to the environment, whilst reducing our operating costs.

During the year, the following initiatives have been completed, which has reduced energy consumption:

- Sims have completed compressed air leak detection at our site in Long Marston, using this to reduce the leakage rate, which has resulted in a reduction in electricity consumption.
- Sims have installed a power upgrade at Barnsley to switch from a diesel to electric generator, which has reduced diesel consumed.

#### Supporting Material

An emissions dataset has been compiled according to a specification agreed with Sims Group, in accordance with Defra's Environmental Reporting Guidelines 2019. This dataset will be retained by Inenco and is available for audit.

The supporting data, as supplied by Sims Group and relevant third-party suppliers as applicable, is held in an evidence pack and supplementary databases. This supporting data can be made available on request.

#### APPENDIX: EMISSION FACTORS

The table below shows the emission factors used in this study and expressed in kilograms of carbon dioxide equivalent (kg/CO<sub>2</sub>e) per unit of resource. They are taken from the latest conversion factors published by BEIS in July 2020. Note that well-to-tank (WTT) emissions are not included for any emissions sources.

Emissions source	Unit	Scope			Outside	Total
		1	2	3		
Gas	KgCO <sub>2</sub> e/kWh	0.18387				0.18387
Transport: petrol	KgCO <sub>2</sub> e/litre	2.16802				2.16802
Transport: diesel	KgCO <sub>2</sub> e/litre	2.54603				2.54603
Transport: gas oil	KgCO <sub>2</sub> e/litre	2.75776				2.75776
Electricity: UK	KgCO <sub>2</sub> e/kWh		0.23314	0.02005		0.25319

#### Auditor

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

## **SIMS GROUP UK LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 30 JUNE 2020***

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#### **Statement of disclosure to auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the board

DocuSigned by:  
**Mark Saunders**  
.....3460031C2F2228B.....  
Mr M Saunders  
Director

Date: 2/3/2021  
.....

## **SIMS GROUP UK LIMITED**

### **SECTION 172 STATEMENT FOR THE YEAR ENDED 30 JUNE 2020**

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Section 172 of the Companies Act 2006 requires each Director to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its ultimate shareholders. The Directors consider the wider needs of the stakeholders of the Group when performing their duties. The Directors have sought to promote the success of the Company for the benefit of the key stakeholders to the business, taking a long-term view and ensuring that the Company has the necessary resources to meet its obligations, objectives and responsibilities. In doing so the Directors have considered the six key Section 172 factors as outlined below.

The Board has identified key stakeholders of the business as being employees, customers, suppliers, the Company's parent company and communities in which our sites are based. These stakeholders have been identified as being those with the most significant interest in the Company.

In considering these wider stakeholder needs, the Board has considered:

#### ***Consequences of any decision in the long term***

The Board's decisions over the past year to promote the long-term success of the Company have involved engaging with stakeholders and considering their interests when making these decisions. In particular, the Board has had to make decisions to ensure that we continue to have the right strategy in place to ensure that we adjust to market conditions to maintain and grow a sustainable business. The key decisions that the business has made in this regard are:

- Commence a global process to replace the existing ICT systems with a global system covering Operations, Commercial Finance, HR and Safety.
- Commence a global process of business transformation, which will change the way in which the business is managed into a functional rather than a regional basis.
- Resize the business in the face of a tough trading environment in Sept 2019 and then make further changes in light of the Covid-19 crisis in 2020.

#### ***Interests of the employees***

The implications and impacts of any decisions, whether day-to-day decisions or long-term strategic planning, are considered in regard to how it will impact employees.

In each of the processes highlighted above the business has looked to keep employees informed as to what is proposed and what decisions have been taken as well as progress made. In relation to the Global systems and business transformation a number of communications have been made to employees including, interactive town hall presentations from senior management, video updates from the Global CEO, email and video updates on a regular basis to all employees.

Employee feedback is encouraged; colleagues have been asked to provide feedback and questions either with local management, with the project teams involved or alternatively via an on-line function where questions can be asked direct to the CEO by any employee.

Where restructuring has been necessary then the business has entered into consultations with employees and sites so that they are informed of the process being undertaken and how it impacts on them as individuals. Frequent communications were made to furloughed employees to ensure that they were kept informed of the changes taking place in the business and whether any decisions impacted them.

## SIMS GROUP UK LIMITED

### SECTION 172 STATEMENT (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2020**

#### ***Company's business relationship with suppliers, customers and others***

The Directors recognise that building professional and co-operative relationships with third parties is integral to the Company's operations. Communications with customers and suppliers tend to take place verbally on an ongoing basis through the commercial team within the business. Where there are significant changes to the ongoing nature of the business then communications were made both verbally and writing to inform customers and suppliers of how changes may impact on their interactions with the business. For example, during the Covid-19 crisis, letters were sent regarding which sites were being opened and closed at any point in time and the safety measures that we have put in place to protect suppliers and employees alike when sites reopened.

#### ***The impact of operations on the community and the environment***

Sustainability is at the core of our business; it is a path for us to achieve our purpose: create a world without waste to preserve our planet. The Company is at the centre of the circular economy by recovering and recycling products and materials to generate maximum value and minimise waste. By diverting thousands of tonnes of secondary materials from landfill each year we are directly reducing the need to extract virgin raw materials and as such effectively fighting climate change.

The Company is well embedded into local communities having 36 active sites nationally making use of a range of both local and national suppliers through its supply chain. The Company also offers apprenticeships and work experience which allows ease of access to those in the community looking to start their career.

#### ***Company's reputation for high standards of business conduct***

The Board monitors the Company's culture to ensure that high standards of business conduct are maintained. Open and constructive dialogue with our employees and other key stakeholders is critical to inform the Board's decisions. The Director's Report refers to the way in which the company encourages employee involvement in the business. In the past year we have carried out an employee satisfaction survey to ensure that the Board understands the issues that colleagues wish to raise. The company has a code of conduct on which there is training and upon which each appropriate employee signs off annually, this covers the behaviours and responsibilities of employees. In addition, training is specifically provided to the appropriate individuals on anti-bribery rules, competition law and the Criminal Finances Act of 2017. More detailed training is provided where appropriate on industry specific matters.

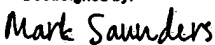
The Board monitors the Company's performance in relation to safety and the reduction of greenhouse gas emissions and waste on a regular basis.

#### ***The need to act fairly between members***

The Company is a wholly owned member of the Sims Group with ultimate parent undertaking of Sims Limited. The Board has identified the Company's parent company as a key stakeholder of the business alongside its employees, customers, suppliers and the communities in which our sites are based. The Board operates within the long term strategic direction set out by the Group and seeks to achieve its long term goals in the best interests of all parties involved.

#### **Approval of S172 report**

The S172 report is approved by the Board and signed on behalf by

DocuSigned by:  
  
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 Mr M Saunders

Director

Date: 2/3/2021



## **SIMS GROUP UK LIMITED**

### **INDEPENDENT AUDITOR'S REPORT**

#### **TO THE MEMBERS OF SIMS GROUP UK LIMITED**

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

##### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 30.

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

##### **Basis for opinion**

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

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

##### **Conclusions relating to going concern**

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

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

We have nothing to report in respect of these matters.

## **SIMS GROUP UK LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SIMS GROUP UK LIMITED**

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#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **SIMS GROUP UK LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF SIMS GROUP UK LIMITED**

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#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

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

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


We have nothing to report in respect of these matters.

##### **Use of our report**

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

**Peter Gallimore FCA**  
**(Senior Statutory Auditor)**  
**For and on behalf of Deloitte LLP**

Statutory Auditor  
Birmingham, United Kingdom

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2/3/2021

**SIMS GROUP UK LIMITED****INCOME STATEMENT****FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 £'000	2019 £
<b>Revenue</b>	<b>4</b>	486,895	669,226
Cost of sales		(438,470)	(589,497)
<b>Gross profit</b>		48,425	79,729
Distribution costs		(33,299)	(42,383)
Administrative expenses		(88,015)	(38,524)
Other operating income		2,182	1,096
Restructuring costs	<b>5</b>	(7,070)	(2,694)
<b>Operating loss</b>	<b>6</b>	(77,777)	(2,776)
Investment income	<b>10</b>	47,218	12,428
Finance costs	<b>11</b>	(2,726)	(1,960)
Other gains and losses	<b>12</b>	(1,623)	-
<b>(Loss)/profit before taxation</b>		(34,908)	7,692
Tax on (loss)/profit	<b>13</b>	(22,252)	(2,133)
<b>(Loss)/profit for the financial year</b>		(57,160)	5,559

The income statement has been prepared on the basis that all operations are continuing operations.

**SIMS GROUP UK LIMITED****STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 30 JUNE 2020**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£</b>
<b>(Loss)/profit for the year</b>	<b>(57,160)</b>	<b>5,559</b>
<b>Other comprehensive income/(expense):</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Actuarial gain/(loss) on defined benefit pension schemes	2,323	(2,295)
Tax relating to items not reclassified	(1,376)	274
<b>Total items that will not be reclassified to profit or loss</b>	<b>947</b>	<b>(2,021)</b>
<b>Total comprehensive income/(expense) for the year</b>	<b>(56,213)</b>	<b>3,538</b>

## SIMS GROUP UK LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	2020 £'000	2019 £
<b>Non-current assets</b>			
Property, plant and equipment	17	103,362	67,832
Investments	18	48,749	98,769
		<u>152,111</u>	<u>166,601</u>
<b>Current assets</b>			
Inventories	20	38,255	66,885
Trade and other receivables falling due after more than one year	21	-	23,750
Trade and other receivables falling due within one year	21	67,332	59,419
Cash and cash equivalents		1,461	6,551
		<u>107,048</u>	<u>156,605</u>
<b>Current liabilities</b>	22	(110,616)	(114,667)
<b>Net current (liabilities)/assets</b>		<u>(3,568)</u>	<u>41,938</u>
<b>Total assets less current liabilities</b>		<u>148,543</u>	<u>208,539</u>
<b>Non-current liabilities</b>	22	(30,551)	-
<b>Provisions for liabilities</b>		<u>(22,204)</u>	<u>(7,218)</u>
<b>Net assets excluding pension surplus</b>		<u>95,788</u>	<u>201,321</u>
<b>Defined benefit pension surplus</b>	27	3,835	1,479
<b>Net assets</b>		<u><u>99,623</u></u>	<u><u>202,800</u></u>
<b>Equity</b>			
Called up share capital	28	50,000	50,000
Retained earnings		49,623	152,800
<b>Total equity</b>		<u><u>99,623</u></u>	<u><u>202,800</u></u>

## **SIMS GROUP UK LIMITED**

### **STATEMENT OF FINANCIAL POSITION (CONTINUED)**

***AS AT 30 JUNE 2020***

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The financial statements were approved by the board of directors and authorised for issue on 2/3/2021 and are signed on its behalf by:

DocuSigned by:

*Mark Saunders*

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Mr M Saunders

Director

Company Registration No. 03242331

**SIMS GROUP UK LIMITED****STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 July 2018</b>		50,000	160,803	210,803
<b>Year ended 30 June 2019:</b>				
Profit for the year		-	5,559	5,559
Other comprehensive income:				
Actuarial loss on defined benefit plans		-	(2,295)	(2,295)
Tax relating to other comprehensive income		-	274	274
Total comprehensive income for the year		-	3,538	3,538
Dividends	<b>14</b>	-	(11,541)	(11,541)
<b>Balance at 30 June 2019</b>		50,000	152,800	202,800
<b>Year ended 30 June 2020:</b>				
Loss for the year		-	(57,160)	(57,160)
Other comprehensive income:				
Actuarial gains on defined benefit plans		-	2,323	2,323
Tax relating to other comprehensive income		-	(1,376)	(1,376)
Total comprehensive income for the year		-	(56,213)	(56,213)
Dividends	<b>14</b>	-	(46,964)	(46,964)
<b>Balance at 30 June 2020</b>		50,000	49,623	99,623



## **SIMS GROUP UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

***FOR THE YEAR ENDED 30 JUNE 2020***

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#### **1 Accounting policies**

##### **Company information**

Sims Group UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is Long Marston, Stratford-upon-Avon, Warwickshire, CV37 8AQ. The company's principal activities and nature of its operations are disclosed in the directors' report.

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

The registered office of the parent Company preparing consolidated accounts is: Suite 2, Level 9, 189 O'Riordan Street, Mascot, NSW 2020, Australia.

##### **1.1 Accounting convention**

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020**

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**1 Accounting policies****(Continued)**

Historical cost convention has been used except for the revaluation of certain properties, financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using other valuation techniques. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

**Level 1**

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

**Level 2**

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

**Level 3**

Inputs are unobservable inputs for the asset or liability.

## **SIMS GROUP UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2020**

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#### **1 Accounting policies**

**(Continued)**

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- inclusion of an explicit and unreserved statement of compliance with IFRS;
- presentation of a statement of cash flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of key management personnel compensation;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- the effect of financial instruments on the statement of comprehensive income;
- comparative period reconciliations for the number of shares outstanding and the carrying amounts of property, plant and equipment, intangible assets, investment property and biological assets;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- a reconciliation of the number and weighted average exercise prices of share options, how the fair value of share-based payments was determined and their effect on profit or loss and the financial position;
- comparative narrative information;
- for financial instruments, investment property and biological assets measured at fair value and within the scope of IFRS 13, the valuation techniques and inputs used to measure fair value, the effect of fair value measurements with significant unobservable inputs on the result for the period and the impact of credit risk on the fair value; and
- related party disclosures for transactions with the parent or wholly owned members of the group.
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- the requirements of second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from contracts with customers.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2020**

### **1 Accounting policies**

**(Continued)**

#### **1.2 Going concern**

The Company is in a net asset position of £99,623,000 (2019: £202,800,000). The Company meets its day-to-day working capital requirements through its bank facilities and intercompany loans.

In September 2019 there was a significant crash in prices in the ferrous market, which was followed by a period where market volumes were subdued. This has had a significant impact on the trading in the first half of the year ending 30 June 2020. As a result the business has taken action to restructure leading to the closure of 11 sites, whilst expanding four other sites to create larger multi-functional sites. The business reported a statutory loss of £57.160m in the full year to 30 June 2020, which included £13.420m relating to costs and provisions associated with the restructuring and impairment losses of £38.889m. The strategic result will result in a lowered operating costs basis while maintaining operational capacity at close to FY19 levels.

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

#### **Covid-19**

The global economic impact of Covid-19 continues to be significant. When analysing the impact of the virus on Sims, the most important risks and uncertainties are the availability of the work force, the disruptions to the supply of materials and the global demand for scrap metal. Sims Group UK Limited ("Sims") core markets continued to function relatively normally until the lockdown of the UK in late March 2020. To mitigate the adverse impact of Covid-19 on Sims activities, the company decided at the end of March 2020 to temporarily close for incoming material and focus on clearing existing stocks to fulfil existing sales contracts, however this led to a decrease in turnover of 21% in April and 26% in May compared to these same months in the prior year. This helped Sims to reduce its costs base, with reduced operations and staff across the UK being furloughed. The Company participated in the UK Governments Job Retention Scheme and made furlough claims totalling £2.273m for the year.

As set out in the strategic report in July 2020 management announced the potential closure of seven sites and a reduction of 150 employees. The sites earmarked for closure have not re-opened and the employee reductions have been substantially enacted.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2020**

### 1 Accounting policies

(Continued)

In late April, a number of Sims larger sites opened to intake material. Initially volumes were relatively low in April and May at well below 50% of intake. However from June onwards volumes rose significantly. Volumes have generally been maintained during the various Government measures to control the spread of the virus as the key sectors generating scrap metal have only been marginally impacted. In January 2021, the Government has announced a further lockdown, however at this stage it is envisaged that any deterioration in resulting volumes will be marginal. In fact, in late 2020 and early 2021 the acceleration in global demand for scrap metal has seen a substantial rise in commodity prices from which the Company is well placed to benefit.

In order to comply with local Covid-19 legislation, we have put new work instructions in place, such as social distancing and invested in the necessary personal protective equipment to comply with UK requirements. Sims have sufficient access to funds available through group financing facilities to meet liabilities as they fall due and acquire materials as they become more readily available from suppliers.

The course of the global pandemic continues to evolve and we will continue to carefully monitor the impact on the business, however at this stage we anticipate in early 2021, a continuation of the trends we have seen in the second half of 2020.

Management has performed a worst case scenario, in order to test the impact of capital requirements over the next 12 months. The reasonable worst case scenario was based on:

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

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

#### Letter of support

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

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

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*FOR THE YEAR ENDED 30 JUNE 2020*

### 1 Accounting policies

(Continued)

#### 1.3 Revenue

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

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

##### **Sale of goods**

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

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

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

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

##### **Other income**

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

##### **Dividend and Interest income**

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

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

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

### 1 Accounting policies

(Continued)

#### 1.4 Goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less impairment losses.

The gain on a bargain purchase is recognised in profit or loss in the period of the acquisition.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is subsequently reversed if, and only if, the reasons for the impairment loss have ceased to apply.

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

#### 1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on a straight line basis as follows:

Freehold land and buildings	2% per annum
Long-term leasehold land and buildings	Period of the lease
Plant and equipment	10-33% per annum

Assets under construction are not depreciated until they are brought into use. Such assets are reviewed for signs of impairment in line with impairment policy as set out later in this section.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

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

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

### 1 Accounting policies

(Continued)

#### 1.6 Non-current investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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

#### Finance costs

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

#### 1.7 Impairment of tangible and intangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.



# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

### 1 Accounting policies

(Continued)

Impairment losses in during the year have been quantified using the aforementioned methods and are detailed in note 15 of these financial statements.

#### 1.8 Inventories

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

##### Valuation of inventories

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

##### Net realisable value

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

#### 1.9 Cash and cash equivalents

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

#### 1.10 Financial assets

Financial assets are recognised, in accordance with IFRS 9, in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

IFRS 9 does not have a significant impact on the classification of financial assets or liabilities as the Company does not hold material financial assets or liabilities at fair value recognised in the profit and loss. The financial assets or liabilities at fair value recognised in the profit and loss are fair value hedges.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

### 1 Accounting policies

(Continued)

#### ***Financial assets at fair value through profit or loss***

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

#### ***Financial assets held at amortised cost***

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

#### ***Financial assets at fair value through other comprehensive income***

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

The company has made an irrevocable election to recognise changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Equity instruments measured at fair value through other comprehensive income are recognised initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to retained earnings when equity instrument is derecognised or its fair value substantially decreased. Dividends are recognised as finance income in profit or loss.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

### 1 Accounting policies

(Continued)

#### ***Impairment of financial assets***

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

#### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

#### **1.11 Financial liabilities**

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

#### ***Financial liabilities at fair value through profit or loss***

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

#### ***Other financial liabilities***

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

### 1 Accounting policies

(Continued)

#### 1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### 1.13 Derivatives

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

Certain derivative instruments, including the Company's forward commodity contracts, do not qualify for hedge accounting under IFRS 9 despite being valid economic hedges of the relevant risk despite the updated requirements for hedge accounting. Accordingly, any changes in fair value of the derivative instrument will continue to be recognised immediately in profit or loss and included in other income or expense. The effective portion of changes in the fair value of derivative that are designated and qualify as cash flow hedges will continue to be recognised in other comprehensive income and accumulated in the hedge reserve in equity.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.

#### 1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

### 1 Accounting policies

(Continued)

#### *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.15 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### 1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

### 1 Accounting policies

(Continued)

#### 1.17 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as finance expense.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

The plan exposes the company to actuarial risks such as; market (investment) risk, interest rate risk, inflation risk, currency risk and longevity risk. The plan does not expose the company to any unusual plan-specific or company-specific risks.

The defined benefit plan is now closed to new entrants.

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

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

### 1 Accounting policies

(Continued)

#### 1.18 Share-based payments

The company participates in a long-term incentive scheme which rewards certain employees with share options or performance rights, in the form of shares in the ultimate parent company Sims Limited. The share options and performance rights are equity-settled, however the Board of Directors of the ultimate parent company retain the right to offer, a cash alternative. Equity based settled share-based payments are measured at fair value at the date of award and this value is subsequently updated at each balance sheet date for management's best estimate of the effect of non-market based vesting conditions, if any, on the number of equity instruments that will ultimately vest. The cost is recognised as an expense over the vesting period by calculating the cumulative expense and recognising the movement in the cumulative expense in the income statement. A corresponding entry is made to intercompany creditors, as the cost is recharged from the group company. The fair value of options and performance rights at grant date is independently determined using either a binomial model or a Monte-Carlo simulation model which takes into account any market related performance conditions. Non-market vesting conditions are not considered when determining fair value, but rather are included in the assumptions about the number of rights that are expected to vest. The fair value of restricted share units is determined based on the market price of the company's shares on the date of grant and the company's dividend yield. The weighted average share price at the date of exercise for share options exercised during the year was \$11.88 (2019: \$16.44) per share.

#### 1.19 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

## SIMS GROUP UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*FOR THE YEAR ENDED 30 JUNE 2020*

#### 1 Accounting policies

(Continued)

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

In the comparative period, as a lessee applying IAS 17, the company classified leases as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the lessees. All other leases were classified as operating leases. Assets held under finance leases were recognised as assets at the lower of the assets' fair value at the date of inception and the present value of the minimum lease payments. The related liability was included in the statement of financial position as a finance lease obligation. Lease payments were treated as consisting of capital and interest elements and the interest was charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability. Rentals payable under operating leases, less any lease incentives received, were charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

When the company acts as a lessor, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees, over the major part of the economic life of the asset. All other leases are classified as operating leases. If an arrangement contains lease and non-lease components, the company applies IFRS 15 to allocate the consideration in the contract. When the company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately, classifying the sub-lease with reference to the right-of-use asset arising from the head lease instead of the underlying asset.



# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*FOR THE YEAR ENDED 30 JUNE 2020*

### 1 Accounting policies

(Continued)

#### 1.20 Grants

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

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

#### 1.21 Foreign exchange

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

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

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

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

#### 1.22 Restructuring

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

### 2 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

## SIMS GROUP UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2020**

#### **2 Adoption of new and revised standards and changes in accounting policies**

**(Continued)**

##### **IFRS 16 'Leases'**

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 July 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 2.11%.

The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****2 Adoption of new and revised standards and changes in accounting policies (Continued)**

	<b>1 July 2019 £'000</b>
Right-of-use assets	31,259
Lease liabilities	(31,259)
	<u>          </u>
	<u>          </u>

The table below reconciles closing operating lease commitments at 30 June 2019 to the opening lease liabilities as classified under IFRS 16 at 1 July 2019.

	<b>1 July 2019 £'000</b>
Operating lease commitment as at 30 June 2019	44,640
Operating leases with a remaining term of less than 12 months at transition and low value assets	(9,116)
Discounted using the incremental borrowing rate as at 1 July 2019	(4,265)
	<u>          </u>
Lease liabilities as at 1 July 2019	<u>31,259</u>

**IFRIC Interpretation 23 Uncertainty over Income Tax Treatments**

The interpretation explains how to recognise and measure deferred and current tax assets and liabilities where there is uncertainty over a tax treatment. There are no new disclosure requirements however the company has reviewed whether further information should be provided about judgements and estimates made in preparing the financial statements.

**Annual Improvements Cycle 2015-17**

Amendments to IAS 12 Income Taxes, IAS 23 Borrowing Costs and IFRS 3 Business combinations/IFRS 11 Joint Arrangements. These amendments do not have any current impact on the company.

## **SIMS GROUP UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 30 JUNE 2020***

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#### **3 Critical accounting estimates and judgements**

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

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

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

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

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

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

A further key area of management estimation is in the determination of the incremental borrowing rate in calculating lease liabilities under IFRS 16 where the rate implicit in the lease cannot be easily determined.

## SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

**4 Revenue**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revenue analysed by class of business</b>		
Metals recycling	467,904	652,669
Recycling solutions	18,991	16,557
	<u>486,895</u>	<u>669,226</u>

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revenue analysed by geographical market</b>		
United Kingdom	116,063	125,870
Rest of the world	370,832	543,356
	<u>486,895</u>	<u>669,226</u>

**5 Exceptional items**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Restructuring costs	7,070	2,694

**6 Operating loss**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	1,582	152
Research and development costs	529	480
Government grants	(2,070)	(383)
Fees payable to the company's auditor for the audit of the company's financial statements	223	192
Depreciation of property, plant and equipment	14,852	10,320
Loss on disposal of property, plant and equipment	-	108
Loss on disposal of fixed asset investments	1,623	-
Amortisation of intangible assets	-	508
Profit on disposal of intangible assets	(1,743)	-
Cost of inventories recognised as an expense	419,223	491,411
Share-based payments	370	551

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****7 Auditor's remuneration**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	223	192
	<u>          </u>	<u>          </u>

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

Amounts paid in relation to other group companies were £10,000 (2019: £22,500)

**8 Employees**

The average monthly number of persons (including directors) employed by the company during the year was:

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Production	476	516
Selling and administration	182	189
Management	155	152
	<u>          </u>	<u>          </u>
Total	813	857
	<u>          </u>	<u>          </u>

Their aggregate remuneration comprised:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	29,314	29,480
Social security costs	2,874	3,020
Pension costs	1,625	1,913
	<u>          </u>	<u>          </u>
	33,813	34,413
	<u>          </u>	<u>          </u>

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****9 Directors' remuneration**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration for qualifying services	772	664
Amounts receivable under long term incentive schemes	427	458
Company pension contributions to defined contribution schemes	24	44
	<u>1,223</u>	<u>1,166</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2019 - 3).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	398	324
Long term incentive schemes	298	-
Company pension contributions to defined contribution schemes	8	29
	<u>        </u>	<u>        </u>

**10 Investment income**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest income</b>		
Interest on the net defined benefit asset	748	860
Other interest income	-	27
	<u>748</u>	<u>887</u>
<b>Total interest revenue</b>	<b>748</b>	<b>887</b>
<b>Income from fixed asset investments</b>		
Income from shares in group undertakings	46,470	11,541
	<u>47,218</u>	<u>12,428</u>
<b>Total income</b>	<b>47,218</b>	<b>12,428</b>

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****11 Finance costs**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	1,140	1,074
Interest on other loans	109	116
	<u>1,249</u>	<u>1,190</u>
<b>Interest on other financial liabilities:</b>		
Interest on lease liabilities	762	7
Net interest on the net defined benefit liability	715	763
	<u>715</u>	<u>763</u>
<b>Total interest expense</b>	<u><u>2,726</u></u>	<u><u>1,960</u></u>

**12 Other gains and losses**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Loss on disposal of fixed asset investments	(1,623)	-
	<u>(1,623)</u>	<u>-</u>

**13 Taxation**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
Adjustments in respect of prior periods	(121)	65
	<u>(121)</u>	<u>65</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(8,747)	572
Changes in tax rates	(2,947)	2,632
Benefit arising from a previously unrecognised tax loss, tax credit or temporary difference	-	(1,204)
Deferred tax derecognition	34,067	-
Deferred tax on share-based payments charge	-	159
Other	-	(26)
	<u>22,373</u>	<u>2,133</u>
<b>Total tax charge</b>	<u><u>22,252</u></u>	<u><u>2,133</u></u>



**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****13 Taxation****(Continued)**

The charge for the year can be reconciled to the (loss)/profit per the income statement as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
(Loss)/profit before taxation	(34,908)	7,692
Expected tax (credit)/charge based on a corporation tax rate of 19.00% (2019: 19.00%)	(6,633)	1,461
Effect of expenses not deductible in determining taxable profit	183	153
Income not taxable	(8,829)	(2,312)
Adjustment in respect of prior years	(121)	65
Effect of change in UK corporation tax rate	(2,946)	2,632
Other permanent differences	6,531	134
Deferred tax adjustments in respect of prior years	34,067	-
<b>Taxation charge for the year</b>	<b>22,252</b>	<b>2,133</b>

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	1,376	(274)

The deferred tax charge has been calculated using a rate of 19% due to the postponement of any reduction in future corporation tax rates confirmed in the UK Budget on 1 April 2020.

**14 Dividends**

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>per share</b>	<b>per share</b>	<b>£'000</b>	<b>£'000</b>
Amounts recognised as distributions to equity holders:				
<b>Ordinary</b>				
Final dividend paid	0.94	23.08	46,964	11,541

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****15 Impairments**

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
In respect of:		
Property, plant and equipment	5,243	60
Fixed asset investments	30,359	2,131
Leases	3,287	-
	<u>          </u>	<u>          </u>
Recognised in:		
Administrative expenses	38,889	2,191
	<u>          </u>	<u>          </u>

**16 Intangible fixed assets**

	<b>Goodwill</b>
	<b>£'000</b>
<b>Cost</b>	
At 30 June 2019	73,075
	<u>          </u>
At 30 June 2020	73,075
	<u>          </u>
<b>Amortisation and impairment</b>	
At 30 June 2019	73,075
	<u>          </u>
At 30 June 2020	73,075
	<u>          </u>
<b>Carrying amount</b>	

## SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 30 JUNE 2020

## 17 Property, plant and equipment

	Freehold land and buildings	Long-term leasehold land and buildings	Assets under construction	Plant and equipment	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 30 June 2019	18,271	20,391	18,302	122,442	179,406
Additions	1,480	35,476	454	15,450	52,860
Disposals	(2,685)	(60)	-	-	(2,745)
At 30 June 2020	17,066	55,807	18,756	137,892	229,521
<b>Accumulated depreciation and impairment</b>					
At 30 June 2019	5,646	13,500	-	92,428	111,574
Charge for the year	487	4,312	-	10,053	14,852
Impairment loss	350	1,322	-	3,571	5,243
Eliminated on disposal	(1,150)	(27)	-	(4,333)	(5,510)
Transfers	4	(4)	-	-	-
At 30 June 2020	5,337	19,103	-	101,719	126,159
<b>Carrying amount</b>					
At 30 June 2020	11,729	36,704	18,756	36,173	103,362
At 30 June 2019	12,625	6,891	18,302	30,014	67,832

More information on impairment movements in the year is given in note 15.

Property, plant and equipment includes right-of-use assets, as follows:

Right-of-use assets	2020 £'000	2019 £'000
<b>Net values</b>		
Property	25,201	-
Plant and equipment	6,058	-
	31,259	-

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****17 Property, plant and equipment (Continued)****Depreciation charge for the year**

Property	2,934	-
Plant and equipment	2,477	-
	<u>5,411</u>	<u>-</u>

**18 Investments**

	<b>Current</b>		<b>Non-current</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investments in subsidiaries	-	-	48,749	98,769
	<u>-</u>	<u>-</u>	<u>48,749</u>	<u>98,769</u>

The company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

**Fair value of financial assets carried at amortised cost**

Except as detailed below the directors believe that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

The disposals relate to the sale of the European compliance scheme operations.

On the 31st October 2020 the investment in Sims Recycling Solutions FZE was sold.

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****18 Investments****(Continued)****Movements in non-current investments**

**Shares in  
group  
undertakings  
£'000**

**Cost or valuation**

At 1 July 2019	159,022
Disposals	(30,853)

At 30 June 2020	128,169
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**Impairment**

At 1 July 2019	(60,253)
Impairment losses	(30,359)
Disposals	11,192

At 30 June 2020	(79,420)
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**Carrying amount**

At 30 June 2020	48,749
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At 30 June 2019	98,769
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# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

### 19 Subsidiaries

These financial statements are separate company financial statements for Sims Group UK Limited.

Details of the company's subsidiaries at 30 June 2020 are as follows:

Name of undertaking	Registered office	Principal activities	% Held Direct
Sims Group Recycling Solutions Canada Ltd	1200-999 West Hastings Street, Vancouver, Canada	Electronic Scrap Recycling	100.00
Sims Lifecycle Services s.r.o	Hviezdoslavova 53, 62700 Brno-Slatina, Czech Republic	Holding Company	90.00
Sims Recycling Solutions FZE	Warehouse No. RA08YC05, Jebel Ali, Dubai, United Arab Emirates	Electronic Scrap Recycling	100.00
Sims Group German Holdings GmbH	Rathenaustraße 10, 59192 Bergkamen, Germany	Electronic Scrap Recycling	100.00
Sims Lifecycle Services BV	Waarderweg 60, 2031 BP Haarlem, Netherlands	Electronic Scrap Recycling	100.00
Sims Recycling Solutions Sp. z o.o	Bydgoszcz (85-463), ul. Lakowa 79, Poland	Electronic Scrap Recycling	100.00
Sims Recycling Solutions Holdings Inc	Illinois Corporation Service Company, 801 Adlai Stevenson Drive, Springfield, IL62703, United States	Electronic Scrap Recycling	100.00
Cooper Metal Recycling Limited	Long Marston, Warwickshire, United Kingdom, CV37 8AQ, England and Wales	Electronic Scrap Recycling	100.00
Deane Wood Export Limited	As above	Dormant	100.00
Dunn Brothers (1995) Limited	As above	Dormant	100.00
Sims Metal Management UK Limited	As above	Dormant	100.00
Sims Recycling Solutions Limited	Irongray Business Park, Lochside Industrial Estate, Dumfries, DG2 0NR, Scotland	Dormant	100.00
United Castings Limited	Long Marston, Warwickshire, United Kingdom, CV37 8AQ, England and Wales	Dormant	100.00
Sims Lifecycle Services GmbH	Im Weiherfeld 25, D-65462 Ginsheim-Gustavsburg, Germany	Electronic Scrap Recycling	100.00
Sims Recycling Solutions Inc	Illinois Corporation Service Company, 801 Adlai Stevenson Drive, Springfield, IL62703, United States	Electronic Scrap Recycling	100.00
Converge Engineering LLC	As above		100.00
Kaystan Holdings Limited	Long Marston, Warwickshire, United Kingdom, CV37 8AQ, England and Wales	Dormant	100.00
Lord & Midgley Limited	As above	Dormant	100.00
Morley Waste Traders Limited	As above	Dormant	100.00
Sims Group UK Pension Trustees Limited	As above	Dormant	100.00

All shareholdings relate to ordinary shares.

## SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

20	Inventories	2020 £'000	2019 £'000
	Raw materials	9,196	16,702
	Finished goods	29,059	50,183
		<u>38,255</u>	<u>66,885</u>

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

## 21 Trade and other receivables

	Current		Non-current	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade receivables	38,821	33,895	-	-
Amounts owed by fellow group undertakings	20,355	13,668	-	-
Finance lease receivables	1,512	-	-	-
Other receivables	4,215	7,087	-	-
Prepayments and accrued income	2,429	4,769	-	-
	<u>67,332</u>	<u>59,419</u>	<u>-</u>	<u>-</u>
Deferred tax asset	-	-	-	23,750
	<u>67,332</u>	<u>59,419</u>	<u>-</u>	<u>23,750</u>

## 22 Liabilities

		Current		Non-current	
	Notes	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Borrowings		-	19,000	-	-
Trade and other payables	23	102,989	93,653	-	-
Taxation and social security		1,030	1,094	-	-
Derivative financial instruments		749	879	-	-
Lease liabilities	24	5,848	41	30,551	-
		<u>110,616</u>	<u>114,667</u>	<u>30,551</u>	<u>-</u>

## SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

**23 Trade and other payables**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	44,801	56,277
Amounts owed to fellow group undertakings	54,201	30,096
Accruals and deferred income	3,382	3,225
Other payables	605	4,055
	<u>102,989</u>	<u>93,653</u>

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

**24 Lease liabilities**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Maturity analysis</b>		
Within one year	5,815	41
In two to five years	15,132	-
In over five years	17,367	-
	<u>38,314</u>	<u>41</u>
<b>Total undiscounted liabilities</b>	38,314	41
Future finance charges and other adjustments	(1,915)	-
	<u>36,399</u>	<u>41</u>
<b>Lease liabilities in the financial statements</b>	<u>36,399</u>	<u>41</u>

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Current liabilities	5,848	41
Non-current liabilities	30,551	-
	<u>36,399</u>	<u>41</u>



**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****24 Lease liabilities****(Continued)**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	762	7

The fair value of the company's lease obligations is approximately equal to their carrying amount.

**25 Deferred taxation**

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	<b>ACAs</b>	<b>Tax losses</b>	<b>Retirement benefit obligations</b>	<b>Other timing differences</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred tax liability at 1 July 2019	-	-	-	-	-
Deferred tax asset at 1 July 2019	(6,486)	(17,941)	847	(170)	(23,750)
<b>Deferred tax movements in current year</b>					
Credit to profit or loss	6,486	17,941	(2,223)	170	22,374
Credit to other comprehensive income	-	-	1,376	-	1,376
Deferred tax liability at 30 June 2020	-	-	-	-	-

**26 Provisions for liabilities**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Dilapidations	6,663	2,341
Onerous Contracts	15,336	4,877
Reorganisation	56	-
Holiday Pay	149	-
	<b>22,204</b>	<b>7,218</b>

## SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 30 JUNE 2020

## 26 Provisions for liabilities

(Continued)

Movements on provisions:	Dilapidations	Onerous Contracts	Reorganisation	Holiday Pay	Total
	£'000	£'000	£'000	£'000	£'000
At 1 July 2019	2,341	4,877	-	-	7,218
Additional provisions in the year	4,322	10,459	56	36	14,873
Reversal of provision	-	-	-	113	113
At 30 June 2020	6,663	15,336	56	149	22,204

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

The onerous contracts provision has been discounted at a risk free rate of 0.82% (2019: 0.82%).

The remaining provision has not been discounted as the impact would be immaterial.

## 27 Retirement benefit schemes

## Defined contribution schemes

The company operates a defined contribution pension scheme.

The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £1,105,805 (2019 - £1,567,000). Contributions totalling £227,700 (2019 - £279,112) were payable to the fund at the balance sheet date and are included in creditors.

## Defined benefit scheme

The company operates a defined benefit pensions scheme

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

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****27 Retirement benefit schemes****(Continued)***Valuation*

A full actuarial valuation of the Scheme was carried out as at 05 April 2018 and has been updated to 30 June 2020 by XPS and Mercer.

	<b>2020</b>	<b>2019</b>
<i>Key assumptions</i>	<b>%</b>	<b>%</b>
Discount rate	1.45	2.25
Rate of inflation (RPI)	2.85	3.2
Rate of inflation (CPI)	2.10	2.2
RPI max 5%	2.80	3.1
RPI max 3%	2.30	2.5
	<b>=====</b>	<b>=====</b>
<i>Mortality assumptions</i>	<b>2020</b>	<b>2019</b>
Assumed life expectations on retirement at age 65:	<b>Years</b>	<b>Years</b>
Retiring today		
- Males	21.6	22.5
- Females	23.9	24.7
	<b>=====</b>	<b>=====</b>
Retiring in 20 years		
- Males	22.9	23.9
- Females	25.4	26.1
	<b>=====</b>	<b>=====</b>
	<b>2020</b>	<b>2019</b>
<i>Amounts recognised in the income statement</i>	<b>£'000</b>	<b>£'000</b>
Net interest on defined benefit liability/(asset)	(33)	(97)
Past service cost	-	346
	<b>=====</b>	<b>=====</b>
Total (income)/expense	(33)	249
	<b>=====</b>	<b>=====</b>

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****27 Retirement benefit schemes****(Continued)**

	<b>2020</b>	<b>2019</b>
<i>Amounts recognised in other comprehensive income</i>	<b>£'000</b>	<b>£'000</b>
Actuarial changes arising from experience adjustments	647	3,257
Actuarial changes related to plan assets	(2,970)	(962)
Total (income)/expense	<u>(2,323)</u>	<u>2,295</u>

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Present value of defined benefit obligations	(31,599)	(33,296)
Fair value of plan assets	35,434	34,775
Surplus in scheme	<u>3,835</u>	<u>1,479</u>

	<b>2020</b>	<b>2019</b>
<i>Movements in the present value of defined benefit obligations</i>	<b>£'000</b>	<b>£'000</b>
At 1 July 2019	33,296	29,720
Past service cost	-	346
Benefits paid	(3,059)	(790)
Actuarial gains and losses	647	3,257
Interest cost	715	763
At 30 June 2020	<u>31,599</u>	<u>33,296</u>

The defined benefit obligations arise from plans which are wholly unfunded.

## SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

## 27 Retirement benefit schemes

(Continued)

	2020	2019
	£'000	£'000
<i>Movements in the fair value of plan assets:</i>		
At 1 July 2019	34,775	33,243
Interest income	748	860
Return on plan assets (excluding amounts included in net interest)	2,970	962
Benefits paid	(3,059)	(790)
Contributions by the employer	-	500
At 30 June 2020	35,434	34,775

The actual return on plan assets was £3,718,000 (2019 - £1,822,000).

*Sensitivity of the defined benefit obligations to changes in assumptions*

Scheme obligations would have been affected by changes in assumptions as follows:

		2020	2019
Discount rate +/- 0.1% pa	- increase	1.7%	1.8%
	- decrease	1.7%	1.8%
Price Inflation +/- 0.1% pa	- increase	1.2%	1.2%
	- decrease	1.2%	0.9%
Assume members are 1 year younger for life - increase expectancy		4.3%	

The fair value of plan assets at the reporting period end was as follows:

	Quoted 2020 £'000	Unquoted 2020 £'000	Quoted 2019 £'000	Unquoted 2019 £'000
Equities & Diversified Growth	12,644	-	15,655	-
Corporate Bonds	5,381	-	4,654	-
Gilts	14,618	-	11,818	-
Cash	2,791	-	2,648	-
	35,434	-	34,775	-

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

28	Share capital	2020 £'000	2019 £'000
	<b>Ordinary share capital</b>		
	<i>Issued and fully paid</i>		
	50,000,000 Ordinary of £1 each	50,000	50,000

## 29 Events after the reporting date

### Brexit

The impact of the UK leaving the European Union on 31 January 2020 has had no noticeable impact on the trading of the business. During the transitional period, which ended on 31 December 2020, there has been very little change to the business environment as a result of Brexit and we have not seen a significant change in the first few days of 2021 following the end of the transitional period.

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

## 30 Controlling party

The immediate parent company is Sims Group UK Holdings Limited, a company incorporated in England and Wales. The ultimate parent undertaking and controlling party is Sims Limited, a company incorporated in Australia, which is the largest and smallest group to consolidate these financial statements. Copies of the group financial statements can be obtained from the Company Secretary at Suite 2, Level 9, 189 O'Riordan Street, Mascot, NSW 2020 Australia, which is also the registered address of the largest and smallest group company which results consolidate into.