

Company registration number 03242331 (England and Wales)

**SIMS GROUP UK LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**



## **SIMS GROUP UK LIMITED**

### **COMPANY INFORMATION**

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<b>Directors</b>	Mr P M Wright Mrs K J Lee (Appointed 12 October 2022) Mr S J Van Wyk (Appointed 12 October 2022)
<b>Company Secretary</b>	Mr R P Brierley
<b>Company number</b>	03242331
<b>Registered office</b>	Long Marston Stratford-upon-Avon Warwickshire England CV37 8AQ
<b>Auditor</b>	Deloitte LLP 4 Brindley Place Birmingham B1 2HZ
<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 2022***

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The directors present the strategic report for the year ended 30 June 2022.

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

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

The results for 2022 have seen significant earnings improvement benefitting from favourable market conditions, generating higher trading volumes and considerable gross margin improvement.

During the year the Company earned a net profit of £25,012,000 (2021: £5,132,000) while the closing net asset position was £141,860,000 (2021: £117,458,000).

Turnover increased 57% (2021: 18%) arising from market driven demand and supply, which the Company was able to exploit due to its network and positioning in the market. Commodity prices were volatile with prices spiking on Russia's invasion of Ukraine, although subsequently falling sharply in May and June due to global recession fears. Management continue to focus on protecting margin across all segments during this ongoing period of economic uncertainty.

Sales volumes increased by 9.0 % (2021: 12.2%) compared with the prior financial period despite facing challenging market conditions due to the continuing effects of the global pandemic, geopolitical unrest and the emergence of inflationary pressures.

The cost reduction decisions taken during the global Covid-19 pandemic largely offset the inflationary cost pressures. This cost reduction enables a sustainable business performance into the future, reducing costs, specifically administrative expenses, whilst maintaining as far as possible site processing capacity. Managing costs to minimise the impact of continued inflationary pressures will be a target for the Company going forwards.

The current strategy for the business is to grow the business via organic opportunities and potential 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 to produce high quality product.

The Company is fully committed to the overall strategy of its ultimate parent undertaking, Sims Limited (the Group), which is set out in the Group's annual report. This includes details of the Sims Lifecycle Solutions division, which is a global leader in providing circular solutions for technology through helping enterprises and data centres manage the end-of-life stage of the technology lifecycle. The recycling solutions activity of the Company represent less than 2% of the Company's revenue, nevertheless, plays a key role in supporting the global coverage, expertise and opportunity for further growth for the Group as a whole.

**SIMS GROUP UK LIMITED**  
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2022**

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**Section 172(1) statement**

**Promoting the success of the Company**

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***

Key decisions are taken in alignment with the Group's strategy. 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 wealth of knowledge within the Group is leveraged to achieve this. The key decisions that the Group has made, for which the Company has supported in this regard are:

- Completion of the global process of business transformation, allowing the business to be managed in a functional rather than a regional basis.
- Rebranding the recycling solutions business to Sims Lifecycle Solutions to create a consistent global identity.
- Separating the scrap metals recycling business and recycling solutions business onto their own ICT (information & communication technology) systems to provide an essential stepping stone as the Group continue their global ERP implementation.
- Transitioning from an agency to a principal sales model from 4 July 2022, enabling sales arranged by the global ferrous and non ferrous business units to be settled in British pound sterling, reducing the Company's exposure to hedging risk.

***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.

## SIMS GROUP UK LIMITED

### STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

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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.

#### ***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. The transformation of the Group to a functional structure allows a targeted approach to business relationships and learning from each other globally. For example, new commercial roles being implemented to support client service and adopting a global approach to procurement to leverage best practice and cost optimisation. 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 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, communications regarding changes in hazardous waste requirements have been communicated in writing with visual displays to ensure the information is clear and assists the guidelines being adhered to.

#### ***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 (2021: 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 stakeholder is critical to inform the Board's decisions. The Directors' Report refers to the way in which the company encourages employee involvement in the business. In the past year, the Company has supported the Group to carry out a range of employee surveys, which allows feedback to be gained on topics such as employee engagement, checking employee understanding of the global ERP implementation project, and getting feedback on the key topics that the Group's sustainability action plan should focus on. 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 of its employees, and the reduction of greenhouse gas emissions and waste on a regular basis, as discussed in the energy and carbon report section in the Directors' report.

## **SIMS GROUP UK LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2022**

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

The Company is a wholly owned member of the Sims Group, for which the ultimate parent undertaking is Sims Limited. The Board of which recognises the need to act fairly between members, for example, treating all members in the same manner, regardless of shareholding.

#### **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.

#### **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. Mitigation includes utilising Group arrangements, such as cash pooling and commodity hedging, which also leverages Group expertise and visibility of potential current and future exposures. The Company also undertake currency hedging for all non-sterling sales.

#### **Liquidity risk**

The Group's treasury function manage all liquidity risk is managed, for which the Company utilises the Group cash-pooling facility, which is an unsecured global multi-currency facility. This provides access to funds for ongoing operations and any planned expansion.

#### **Interest rate risk**

Interest rate risk is managed as part of the wider Group's net debt portfolio. The Company has access to the Group's 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.

#### **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, along with any difference on valuation of the forward contracts to market value at year end. From 4th July 2022, the Group transitioned to a principal sales model, for which sales arranged by the Group's ferrous and non ferrous business units will be settled in British Pound sterling, therefore mitigating the hedging risk for the Company for these sales. Any residual locally arranged sales will continue to be hedged by the Company.

## **SIMS GROUP UK LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 30 JUNE 2022***

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#### **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.

#### **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.

#### **Health and safety**

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 2022**

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#### **Climate change**

The Company recognises that climate change could have a meaningful impact 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. No impact anticipated on fixed assets held nor long term impact on the company's recycling products and capabilities.

These risks are not currently expected to have a material impact on the Company's financial performance in the short term due to the ability to divert scrap metal flows and resource to alternative sites within the UK. Additionally, any experience of this through the financial year has resulted in only a temporarily halt to operations, as any extreme weather events in the UK are typically over a short time frame. For example, high winds is a recognised safety risk for cranes operating at docks, therefore operations would cease until the wind conditions have improved or the ship would be diverted to another UK port for which the wind conditions are less extreme. Understanding the impact on fixed assets held and the long-term impact on the Company's recycling products and capabilities is considered as part of a Group initiative.

As a key enabler of the circular economy, the Group diverts valuable resources away from landfill, bringing benefits to our value chain, such as: greenhouse gas ("GHG") emissions mitigation, landfill diversion and virgin raw materials demand reduction. The Group is already well placed in an established metals recycling industry, however recognises the importance and opportunity to achieve a bigger impact by supporting research projects and investment in technologies as part of the process to execute its purpose: "Create a world without waste to preserve our planet".

**SIMS GROUP UK LIMITED**

**STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2022**

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**Financial and non-financial key performance indicators (KPIs)**

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 understanding the pressures on supply and demand, monitored through financial measures, and the health and safety of our employees and contractors. These risks are managed by the use of KPIs, for which there is routine reporting and regular monitoring procedures, discussed as part of regional management meetings and monthly Group-led review meetings.

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

	<b>2022</b>	<b>2021</b>
<i>Revenue from continuing operations (£million)</i>	899	574
<i>EBITDA* before restructuring result from continuing operations (£million)</i>	42	24
<i>Operating profit before restructuring result from continuing operations (£million)</i>	27	9
<i>Operating profit before restructuring result as a percentage of turnover from continuing operations (%)</i>	3%	1%
<i>- Depreciation</i>	15	16
<i>- Restructuring income/ (costs)</i>	-	1
<i>Lost time injuries frequency rate (LTIFR) for employee and agency workers, defined as accidents per 200,000 hours worked</i>	0.59	0.33

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

<b>EBITDA Calculation</b>	<b>£million</b>
Operating profit	27
Depreciation	15
<b>EBITDA</b>	<b>42</b>

Revenue, EBITDA, operating profit, and operating profit as a percentage of turnover are deemed to be financial KPIs as they provide insight as to the level of activity and levels of profitability for each financial year.

LTIFR is a non-financial KPI that provides consistent measurement of health and safety performance by the Company. This is used to benchmark against fellow subsidiaries, the Group's overall performance, and other external companies.

The Directors have reviewed the outcomes of the key performance indicators and are satisfied with the Company's performance.

## **SIMS GROUP UK LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

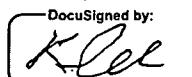
***FOR THE YEAR ENDED 30 JUNE 2022***

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#### **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.

This report was approved by the board and signed on its behalf by

DocuSigned by:  
  
E5C7BB0261CB4AC...  
Mrs K J Lee

Director

23 November 2022

## **SIMS GROUP UK LIMITED**

### **DIRECTORS' REPORT**

#### ***FOR THE YEAR ENDED 30 JUNE 2022***

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The directors present their annual report and financial statements for the year ended 30 June 2022.

#### **Results and dividends**

The results for the year are set out on page 23.

No ordinary dividends were paid (2021: nil) or preference dividends were paid (2021: nil). 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	(Resigned 30 September 2021)
Mr M Saunders	(Resigned 12 October 2022)
Mr S M Skurnac	(Resigned 12 October 2022)
Mr P M Wright	
Mrs K J Lee	(Appointed 12 October 2022)
Mr S J Van Wyk	(Appointed 12 October 2022)

#### **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 (2021: £nil).

#### **Supplier payment policy**

It is the policy of the Company 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 2022 were 23 days (2021: 49 days).

There are no supplier financing arrangements in place.

#### **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.

## **SIMS GROUP UK LIMITED**

### **DIRECTORS' REPORT (CONTINUED)** **FOR THE YEAR ENDED 30 JUNE 2022**

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#### **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 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, surveys and safety, health, environmental, community and sustainability updates.

#### **Post reporting date events**

There were no subsequent events after the balance sheet date.

#### **Going concern**

The Company is in a net asset position of £141,860,000 (2021: £117,458,000). The Company meets its day-to-day working capital requirements through its bank facilities, including Group cash-pooling facilities, which enables the Company to cover its net liability position.

The global market for scrap metal remained favourable throughout the financial year up until May 2022. The Company took advantage of the sustained Ferrous and Non-Ferrous prices throughout the year and generated record turnover, which presented the opportunity for considerable margin growth. The Company reported a statutory profit of £25.0m in the full year to 30 June 2022.

Following the commodity prices and scrap metal demand falling away in the latter stages of the 2022 financial year, the start of the financial year 2023 has been impacted by lower margins and further pressure on costs. Protecting margins and counteracting inflationary cost pressures will be a focus through this period of market volatility.

## **SIMS GROUP UK LIMITED**

### **DIRECTORS' REPORT (CONTINUED)** **FOR THE YEAR ENDED 30 JUNE 2022**

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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.

Sims Limited have provided confirmation of 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.

#### **Covid-19**

The global economic impact of Covid-19 is now very limited. The core markets have remained largely open throughout the period with increasing demand for scrap metal at a global level. The UK Governments Job Retention Scheme ended on 30 September 2021. The Company made nil furlough claims during the financial year (2021: £1,328,000).

#### **Geopolitical situation**

Russia is one of the largest exporters of scrap metal, therefore the geopolitical situation arising between Russia and Ukraine resulted in commodity prices spiking as a result of increased demand for scrap metal. The course of the situation continues to evolve and will be monitored carefully to understand the impact on the business.

#### **Rise in cost of living**

The rise in cost of living is a concern for the business as inflationary pressures are set to increase. The Company has benefitted from local and global procurement initiatives, such as having a fixed rate electricity contract in place. Nevertheless, the Company will be impacted by rising costs, for which inflationary increases have been built into budgets and forecasts. The impact of the cost pressures and identifying opportunities to offset these increases will be ongoing, such as through investment in technology and streamlining processes.

The course of the global pandemic continues to evolve and we will continue to carefully monitor the impact on the business.

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

The Company's operations expose it to a variety of risks. These risks are discussed in the Strategic Report in pages 1-8.

## SIMS GROUP UK LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

#### Energy and carbon report

The location-based total greenhouse gas emissions for Sims Group UK Ltd for 2021-22 were 19,676 tonnes CO<sub>2</sub> equivalent (tCO<sub>2</sub>e). This is a decrease of 6% when compared to 2020-21 (20,913 tCO<sub>2</sub>e).

The marked-based total greenhouse gas emissions for 2021-22 was 14,137 tonnes of carbon dioxide (tCO<sub>2</sub>e). This is a decrease of 17% when compared to 2020-2021 (16,982 tCO<sub>2</sub>e).

An emissions intensity ratio has been calculated, expressing annual emissions in relation to a quantifiable factor or normaliser. The location-based intensity ratio for 2021-22 is 14.83 tCO<sub>2</sub>e per fm of revenue. This is a decrease of 39% compared to 2020-21(24. tCO<sub>2</sub>e per fm). The equivalent market-based intensity ratio is 10.7 tCO<sub>2</sub>e per fm of revenue. This is a decrease of 46% compared to 2020-21(19.9 tCO<sub>2</sub>e per fm).

The 2021/22 market-based emissions figure for purchased electricity reflects our investment in zero-carbon electricity tariffs. In the terms of the Greenhouse Gas Protocol, the accounting of zero carbon electricity tariffs is called 'market-based', as opposed to 'location-based', reporting. Location-based reporting does not take into account the electricity supply contracts, which a company has procured and instead uses a national carbon emissions factor to calculate the emissions from the generation of electricity, reflecting the diverse source of electricity generation supplied to the national grid. Under SECR guidelines it is required to report using the location-based methodology, but the market-based approach can additionally be reported voluntarily.

The gross GHG emissions figure includes all material scope 1, 2 and 3 emissions 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 transport. The emissions also include the voluntary reporting of emissions associated with fuel combusted in stationary plant, transmission and distribution of electricity, and the emissions from the supply and treatment of water.

#### Greenhouse gas emissions by source

The emissions for Sims Group UK Ltd by source for the periods 2020/2021 and 2021/2022 are detailed in the tables below.

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

<i>Emissions source</i>	<i>2020/21</i>	<i>2021/22</i>	<i>Share %</i>	<i>YoY</i>
<i>Fuel combustion: gas</i>	219	226	1.1%	3%
<i>Fuel combustion: Transport and stationary plant</i>	13,040	11,844	60.2%	-9%
<i>Emissions from the consumption of Electricity</i>	7,645	7,597	38.6%	-1%
<i>Emissions from the supply &amp; treatment of water (1)</i>	n/a	91	<0.1%	n/a
<b><i>Total emissions (tCO<sub>2</sub>e)</i></b>	<b>20,904</b>	<b>19,676</b>	<b>100%</b>	<b>-6%</b>
<i>Revenue, including interbranch sales £</i>	855,170,895	1,326,742,609		
<i>Intensity: (tCO<sub>2</sub>e per £m of revenue)</i>	24.4	14.8		-39%

## SIMS GROUP UK LIMITED

**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**Table 2 - Greenhouse gas emissions (tonnes CO2e) 2021/22 - Market based**

<i>Emissions source (tCO2e)</i>	<i>2020/21</i>	<i>2021/22</i>	<i>Share %</i>	<i>YoY</i>
<i>Fuel combustion: Natural gas</i>	219	226	1.6%	3%
<i>Fuel combustion: Transport &amp; stationary plant</i>	13,040	11,844	83.8%	-9%
<i>Emissions from the consumption of Electricity (2)</i>	3,715	2,058	14.6%	-45%
<i>Emissions from the supply &amp; treatment of water (1)</i>	n/a	9	0.1%	n/a
<b><i>Total emissions (tCO2e)</i></b>	<b>16,974</b>	<b>14,137</b>	<b>100%</b>	<b>-17%</b>
<i>Revenue, including interbranch sales £</i>	855,170,895	1,326,742,609		
<i>Intensity: (tCO2e per £m)</i>	19.9	10.7		-46%

(1) The emissions for water treatment and supply have been included for the first time in 2021/22's carbon emissions

(2) The 2020/2021 market-based emissions figure for electricity has been recalculated to account for the application for a more accurate methodology which considers the integration of a residual as well as a transmissions and distribution losses emissions factor in cases where both 'brown' and 'zero- carbon' electricity are utilised within the Estate

**Greenhouse gas emissions by scope**

The emissions for Sims Group UK Ltd by scope for the periods 2020/2021 and 2021/2022 are detailed in the tables below.

**Table 3 - Greenhouse gas emissions by scope (tonnes CO2e) 2021/22 - Location based**

<i>Emissions source</i>	<i>Scope 1 (tCo2e)</i>	<i>Scope 2 (tCo2e)</i>	<i>Scope 3 (tCo2e)</i>	<i>Total (tCo2e)</i>
<i>Fuel combustion: gas</i>	226	-	-	226
<i>Fuel combustion: Transport and stationary Plant</i>	11,813	-	31	11,844
<i>Emissions from the consumption of Electricity</i>	-	6,960	637	7,597
<i>Emissions from the supply &amp; treatment of water</i>	-	-	9	9
<b><i>Total emissions (tCO2e)</i></b>	<b>12,039</b>	<b>6,960</b>	<b>677</b>	<b>19,676</b>
<i>Share of Total</i>	61.2%	35.4%	3.4%	100.0%

**Table 4 - Greenhouse gas emissions by scope (tonnes CO2e) 2021/22 - Market based**

<i>Emissions source</i>	<i>Scope 1 (tCo2e)</i>	<i>Scope 2 (tCo2e)</i>	<i>Scope 3 (tCo2e)</i>	<i>Total (tCo2e)</i>
<i>Fuel combustion: gas</i>	226	-	-	226
<i>Fuel combustion: Transport and stationary Plant</i>	11,813	-	31	11,844
<i>Emissions from the consumption of Electricity</i>	-	1,421	637	2,058
<i>Emissions from the supply &amp; treatment of water</i>	-	-	9	9
<b><i>Total emissions (tCO2e)</i></b>	<b>12,039</b>	<b>1,421</b>	<b>677</b>	<b>14,137</b>
<i>Share of Total</i>	85.2%	10.1%	4.8%	100.0%



**SIMS GROUP UK LIMITED****DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2022**

Scope 1: Natural gas, company-operated transport and stationary plant. Scope 2: Electricity. Scope 3: Electricity transmission and distribution losses, water consumption, and transport grey fleet. This includes emissions reportable under SECR and may not reflect the entire carbon footprint of the organisation.

**Energy consumption****Table 5 - Energy consumption (kWh)**

<b>Energy consumption (kWh)</b>	<b>2020/21</b>	<b>2021/22</b>	<b>% of Total</b>	<b>YoY</b>
<i>Fuel combustion: gas</i>	1,195,346	1,239,238	1.5%	3.7%
<i>Fuel combustion: Transport and Stationary Plant</i>	52,127,204	47,572,694	56.1%	-8.7%
<i>Electricity (3)</i>	33,078,373	35,993,438	42.4%	8.8%
<b>Total energy consumption (kWh)</b>	<b>86,400,923</b>	<b>84,805,370</b>	<b>100.0%</b>	<b>-1.8%</b>
<i>Revenue, including interbranch sales £</i>	855,170,895	1,326,742,609		
<i>Intensity: (kWh per £m)</i>	101,034	63,920		-36.7%
<b>Water consumption (litre)</b>		<b>2020/21</b>	<b>2021/22</b>	<b>YoY</b>
<i>Water Consumption (m3)</i>		n/a	21,845	n/a

(3) Increase in electricity consumption for 2021/22 is primarily due to improvements in estimation methodology used to extrapolate missing consumption data to accurately reflect true energy consumption.

## **SIMS GROUP UK LIMITED**

### **DIRECTORS' REPORT (CONTINUED)** **FOR THE YEAR ENDED 30 JUNE 2022**

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#### **Boundary, methodology and exclusions**

The data contained in this document are 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 such as warehouses, offices and production sites within the scope of the regulation. This report also voluntarily includes emissions from stationary plant, under Scope 1, emissions from the supply and treatment of water, under scope 3, and transmission and distribution (T&D), under Scope 3 emission that means the losses in transmission between sources of electricity 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.

In accordance with the guidelines, it has been required to estimate some electricity and water consumption, in those instances where data are not available. The estimations equate to 10% of the market-based emissions and 4% of the location-based emissions.

Emissions have been calculated using the 2022 conversion factors provided by Department of Business, Energy & Industrial Strategy.

The reporting period is July 2021 to June 2022, as per the financial accounts. Residual emissions factors used in market-based reporting are from Association of Issuing Bodies, 2022.

#### **Energy efficiency initiatives**

Sims Group UK Ltd aims to continually improve its energy efficiency measures to reduce our impact on the environment, to behave and operate as a responsible, sustainable business and to minimise our associated energy bills.

During the year, the following initiatives have been undertaken:

- We continue to source electricity from Renewable Energy supplies
- We have made investment in new electrically powered shears and scrap handlers to replace diesel powered equipment. We will review performance to determine the benefits of replacing diesel powered equipment with electrically powered equipment across the estate
- We have engaged in trials of electrical fork trucks and road vehicles.
- A number of company cars have been replaced with electric versions

## **SIMS GROUP UK LIMITED**

### **DIRECTORS' REPORT (CONTINUED)** **FOR THE YEAR ENDED 30 JUNE 2022**

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#### **Engagement with suppliers, customers and others**

Details on engagement with suppliers, customers and others is set out in the Section 172 Statement on pages 2-3.

#### **Auditor**

##### **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.

Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

## **SIMS GROUP UK LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 30 JUNE 2022***

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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.

On behalf of the board

DocuSigned by:  
  
E5C7BB0281CB4AC...

Mrs K J Lee  
Director

23 November 2022

Long Marston  
Stratford-upon-Avon  
Warwickshire  
England  
CV37 8AQ

**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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 32.

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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **SIMS GROUP UK LIMITED**

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

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

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##### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

##### **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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

##### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

## **SIMS GROUP UK LIMITED**

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

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

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We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- *do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.*

We discussed among the audit engagement team including relevant internal specialists such as tax, pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas and our specific procedures performed to address them are described below:

- Revenue recognition, specifically pinpointing the significant revenue risk to cut-off for container export sales due to the size of shipments and the length of time it takes for control of the goods to transfer between parties. Our specific procedures performed to address the risk of fraud in revenue recognition include:
  - review of management's processes and procedures to ensure appropriate cut-off of revenue around the year-end;
  - obtained an understanding of the relevant controls relating to revenue cut-off in place at the entity;
  - review of management's year end revenue cut-off calculation and adjustment;
  - substantive testing over a sample of shipments around the year-end date; and
  - detailed inspection of sales terms for a sample of customers, including identification of the point in time at which ownership of goods is transferred between parties.
- Inventory, specifically pinpointing the significant risk to the valuation and existence of inventory. Our specific procedures performed to address the risk of fraud in inventory include:
  - Obtained an understanding of the relevant controls relating to the valuation and existence of inventory in place at the entity;
  - performance of stock counts to substantiate existence of inventory;
  - substantive testing using bespoke analytics to gain adequate coverage of the inventory balance and ensure appropriate valuation.

## **SIMS GROUP UK LIMITED**

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

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

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In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC.

#### **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.



## **SIMS GROUP UK LIMITED**

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

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

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##### **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.



**Sukhpal Kaur Gill**

**(Senior Statutory Auditor)**

**For and on behalf of Deloitte LLP**

**Statutory Auditor**

**Birmingham, United Kingdom**

**Date 23 November 2022**

**SIMS GROUP UK LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	2022 £'000	2021 £'000
Turnover	4	898,757	573,921
Cost of sales		(745,962)	(469,252)
<b>Gross profit</b>		152,795	104,669
Distribution costs		(69,270)	(44,495)
Administrative expenses		(57,354)	(53,199)
Other operating income		714	1,554
Profit/(loss) on disposal of operations	6	-	1,170
<b>Operating profit</b>	7	26,885	9,699
Interest receivable and similar income	11	611	505
Interest payable and similar expenses	12	(2,070)	(2,229)
Amounts written off investments	13	(1)	(447)
<b>Profit before taxation</b>		25,425	7,528
Tax on profit	14	(413)	(2,396)
<b>Profit for the financial year</b>	29	25,012	5,132

The profit and loss account 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 2022**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit for the year</b>	<b>25,012</b>	<b>5,132</b>
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Actuarial (loss)/gain on defined benefit pension schemes	(813)	391
Tax relating to items not reclassified	203	1,346
<b>Total items that will not be reclassified to profit or loss</b>	<b>(610)</b>	<b>1,737</b>
<b>Total comprehensive income for the year</b>	<b>24,402</b>	<b>6,869</b>

**SIMS GROUP UK LIMITED****BALANCE SHEET**  
**AS AT 30 JUNE 2022**

		<b>2022</b>		<b>2021</b>	
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>					
Tangible fixed assets	<b>17</b>		96,470		93,743
Investments	<b>18</b>		47,610		48,428
			<u>144,080</u>		<u>142,171</u>
<b>Current assets</b>					
Stocks	<b>20</b>	94,988		81,086	
Debtors	<b>21</b>	77,360		76,380	
Cash at bank and in hand		447		969	
		<u>172,795</u>		<u>158,435</u>	
<b>Creditors: amounts falling due within one year</b>	<b>22</b>	(147,885)		(151,056)	
<b>Net current assets</b>			<u>24,910</u>		<u>7,379</u>
<b>Total assets less current liabilities</b>			<u>168,990</u>		<u>149,550</u>
<b>Creditors: amounts falling due after more than one year</b>	<b>22</b>		(23,407)		(26,957)
<b>Provisions for liabilities</b>					
Other provisions	<b>26</b>		(7,164)		(9,367)
<b>Net assets excluding pension surplus</b>			<u>138,419</u>		<u>113,226</u>
<b>Defined benefit pension surplus</b>	<b>27</b>		3,441		4,232
<b>Net assets</b>			<u><u>141,860</u></u>		<u><u>117,458</u></u>

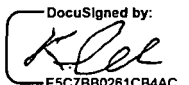
# **SIMS GROUP UK LIMITED**

## **BALANCE SHEET (CONTINUED)**

**AS AT 30 JUNE 2022**

		<b>2022</b>		<b>2021</b>	
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital and reserves</b>					
Called up share capital	<b>28</b>		50,000		50,000
Profit and loss reserves	<b>29</b>		91,860		67,458
<b>Total equity</b>			<u>141,860</u>		<u>117,458</u>

The financial statements were approved by the board of directors and authorised for issue on 23 November 2022 and are signed on its behalf by:

DocuSigned by:  
  
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Mrs K J Lee  
**Director**

**Company registration number 03242331**

**SIMS GROUP UK LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 30 JUNE 2022**

	Share capital  £'000	Profit and loss reserves  £'000	Total  £'000
<b>Balance at 1 July 2020 as restated</b>	50,000	60,589	110,589
<b>Year ended 30 June 2021:</b>			
Profit for the year	-	5,132	5,132
Other comprehensive income:			
Actuarial gain on defined benefit plans	-	391	391
Tax relating to other comprehensive income	-	1,346	1,346
<b>Total comprehensive income for the year</b>	-	6,869	6,869
<b>Balance at 30 June 2021</b>	50,000	67,458	117,458
<b>Year ended 30 June 2022:</b>			
Profit for the year	-	25,012	25,012
Other comprehensive income:			
Actuarial loss on defined benefit plans	-	(813)	(813)
Tax relating to other comprehensive income	-	203	203
<b>Total comprehensive income for the year</b>	-	24,402	24,402
<b>Balance at 30 June 2022</b>	50,000	91,860	141,860

## **SIMS GROUP UK LIMITED**

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

**FOR THE YEAR ENDED 30 JUNE 2022**

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#### **1 Accounting policies**

##### **Company information**

Sims Group UK Limited is a private company limited by shares incorporated in England. The registered office is Long Marston, Stratford-upon-Avon, Warwickshire, England, CV37 8AQ. The company's principal activities and nature of its operations are disclosed in the strategic 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 Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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, unless detailed otherwise.

## **SIMS GROUP UK LIMITED**

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

**FOR THE YEAR ENDED 30 JUNE 2022**

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#### **1 Accounting policies**

**(Continued)**

Historical cost convention has been used, 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 IFRS 16, 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 2022**

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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 2022**

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#### **1 Accounting policies**

**(Continued)**

##### **1.2 Going concern**

The Company is in a net asset position of £141,860,000 (2021: £117,458,000). The Company meets its day-to-day working capital requirements and covers its net liability position through bank facilities and intercompany loans.

The global market for scrap metal remained favourable throughout the financial year up until May. The Company took advantage of the sustained Ferrous and Non-Ferrous prices throughout the year generating record turnover, which presented the opportunity for considerable margin growth. The Company reported a statutory profit of £25,012,000 in the full year to 30 June 2022 (2021: £5,132,000).

Following the commodity prices and scrap metal demand falling away in the latter stages of the 2022 financial year, the start of the financial year 2023 has been impacted by lower margins and further pressure on costs. Protecting margins and counteracting inflationary cost pressures will be a focus through this period of market volatility.

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.

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 2022

### 1 Accounting policies

(Continued)

#### 1.3 Turnover

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.

#### Recognition and measurement

Metals recycling covers both ferrous secondary recycling and non-ferrous secondary recycling. Ferrous secondary recycling includes the collection, processing and trading of iron and steel secondary material. Revenue recognition is undertaken depending on the Incoterms of the sale. For materials sold on cost and freight, or cost, insurance and freight Incoterms, revenue from the sale of goods is recognised prior to when the vessel arrives at the destination port as control has passed and performance obligations have been met (dependent on the Incoterms per contract). Ferrous bulk cargo sales specify that title passes once material has been loaded onto a vessel. These sales are primarily sold on a letter of credit basis.

Non-ferrous secondary recycling comprises the collection, processing and trading of other metal alloys and residues, principally aluminum, lead, copper, zinc and nickel bearing materials. Revenue for non-ferrous secondary recycling is recognised when control passes and performance obligations are satisfied. According to the specific contract terms, control of the goods will pass to the customer at the point in time when the goods are loaded in a container, delivered to the customer or cash is received as that is the point in time the original bills of lading are passed to the buyer and title is transferred. Contract terms are determined based upon customer, product and/or destination and are typically sold on a cash in advance, deposit, letter of credit or open credit basis.

Recycling services comprises the provision of environmental and data security responsible services for the refurbishment, resale or commodity reclamation of IT assets recycled for commercial and post-consumer suppliers. For recycling services, service revenue is recognised based upon completion of the agreed performance obligations, including services such as hard disk cleansing and data capture and reporting. These performance obligations are based upon amount collected, processed and/or on a time basis amongst other contractual terms. For precious metals reclaimed, revenue is recognised upon completion and agreement of an assay, and when price and quantity can be determined, and acceptance is finalised. Contractual terms can involve a deposit received in advance for which revenue is deferred until performance obligations are satisfied

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 1 Accounting policies

(Continued)

#### 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 profit and loss account 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).

### 1.4 Goodwill and intangible assets

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 Tangible fixed assets

Tangible fixed assets 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 buildings	2% per annum
Long-term leasehold land and buildings	Period of the lease
Plant and equipment	10-33% per annum
Property right-of-use assets	Over the right-of-use period

## SIMS GROUP UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

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#### 1 Accounting policies

(Continued)

Freehold land is not depreciated.

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 profit and loss account.

*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.*

#### 1.6 Fixed asset 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.

#### 1.7 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.

#### 1.8 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. The assessment identified no indicators of impairment.

## SIMS GROUP UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2022**

#### **1 Accounting policies**

**(Continued)**

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.

Impairment losses in during the year have been quantified using the aforementioned methods and are detailed in note 16 of these financial statements.

#### **1.9 Stocks**

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

##### **Valuation of inventories**

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

##### **Net realisable value**

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

#### **1.10 Cash at bank and in hand**

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

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 1 Accounting policies

(Continued)

#### 1.11 Financial assets

Financial assets are recognised, in accordance with IFRS 9, in the company's balance sheet 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.

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.

#### ***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.

## SIMS GROUP UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2022**

#### **1 Accounting policies**

**(Continued)**

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.

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

Financial assets carried at amortised cost and FVOCI are assessed for indicators of impairment at each reporting end date.

The expected credit losses associated with these assets are estimated on a forward-looking basis. A broad range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

#### ***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.

#### **1.12 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.



# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 1 Accounting policies

(Continued)

#### *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.

#### 1.13 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.

#### 1.14 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.

#### 1.15 Taxation

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

## SIMS GROUP UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2022**

#### **1 Accounting policies**

**(Continued)**

##### ***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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.

##### ***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 profit and loss account, 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.

#### **1.16 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.

## **SIMS GROUP UK LIMITED**

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

**FOR THE YEAR ENDED 30 JUNE 2022**

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#### **1 Accounting policies**

**(Continued)**

##### **1.17 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 fixed 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.

##### **1.18 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.

## **SIMS GROUP UK LIMITED**

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

**FOR THE YEAR ENDED 30 JUNE 2022**

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#### **1 Accounting policies**

**(Continued)**

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 2022**

#### **1 Accounting policies**

**(Continued)**

##### **1.19 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 \$17.51 (2021: \$16.07) per share.

##### **1.20 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 tangible fixed assets, 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 tangible fixed assets. 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 2022**

#### **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.

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.

#### **1.21 Grants**

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

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

## SIMS GROUP UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2022**

#### **1 Accounting policies**

**(Continued)**

##### **1.22 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'.

##### **1.23 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**

The following have been applied for the first time from 1 July 2021 and did not have a material effect on the financial statements:

- Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9;
- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2;
- Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities;
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;
- IFRS 17, 'Insurance contracts';
- Amendments to FRS 104 - Going concern; and
- Amendment to FRS 101 Reduced disclosure framework on the effective date of IFRS 17.

## SIMS GROUP UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2022**

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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.

##### **Key sources of estimation uncertainty**

###### *Impairment*

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 rates, growth rates and other assumptions. For the sensitivity analysis, different scenarios are used including 10% reduction in future cash flows, 1% change in discount rate, plus different combinations of historical results and future forecasts. None of the different scenarios led to a different conclusion that would impact the financial statements in the current nor preceding financial year.

###### *Valuation and existence 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. All non ferrous material is weighed at year end, therefore the main area for estimation arises from ferrous material. In particular, where inventory piles exceed 5,000mt the level of estimation uncertainty increases, although there will be weighbridge tickets recorded for all material into and out of sites to provide expected inventory tonnes. If the inventory estimation for operating sites with over 5,000mt of ferrous material was incorrect by +/-5%, this would result in inventories being understated or overstated by £1,327k (2021: 1,276k).



## SIMS GROUP UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2022**

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

**(Continued)**

##### *Net realisable value of inventories*

The Company reviews its inventory at the end of each reporting period to determine if it is properly stated at the lower of cost and net realisable value. Net realisable value is based on estimated future selling prices. Impairment losses may be recognised or reversed on inventory if management needs to revise its estimates of net realisable value in response to changing market conditions. The company and Group maintain position reporting to monitor sufficient sales are in place against the current inventory position inventory. Therefore, inventory is allocated to agreed future sales. However, historic evidences suggests that given fluctuations in commodity prices, there is potential exposure to downturns in the market, where there are significant volumes of the key ferrous grades, namely cut grade or fragmented steel scrap. If there were a 10% reduction in NRV in either of these grades, the impact on inventories would be a reduction of £1,655k (2021: £1,997k) based on inventory levels and valuations at each period end.

##### *Retirement benefit schemes*

The calculated of the net defined benefit position uses a series of actuarial assumptions, which require estimate and judgment. These include discount rate, rate of increase in salaries, rate of increase in Retail Price Index, and mortality assumptions. These assumptions are provided by an independent actuary. Further details on sensitivity in relation to retirement benefit schemes is provided in note 27.

##### *Unclaimed monies*

Any unclaimed monies in relation to scrap purchases, haulage and non-trade purchases, which are not settled within a pre-determined 12-month period are released to the profit and loss statement. The period from which the unclaimed monies can be released was estimated in 2019, based on historic evidence of the period in which monies are typically claimed. During the current financial year, approximately 0.63% of trade tickets and orders raised were not claimed, which gave rise to a £4,574k benefit in the current financial year (2021: £3,812k). From historic trading data, the typical range of trade tickets and orders not claimed are between 0.50% and 1.25%, which would equate to either a decrease in the profit for the year of up to £940k or an increase of up to £4,509k.

## SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

**3 Critical accounting estimates and judgements****(Continued)****Critical accounting judgements in applying the Company's accounting policies**

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.

Determining whether to recognise the Deferred Tax asset has involved the consideration of the current strong trading performance outweighed by the 3-year and 5-year cumulative book loss position due to the significant FY20 loss. In addition to this, the UK market remains challenging and there will always be some uncertainty in the metals recycling industry as it is difficult to predict market price fluctuations or if there will be a global crisis that impacts the business.

**4 Turnover**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Turnover analysed by class of business</b>		
Metals recycling	878,368	551,546
Recycling solutions	20,389	22,375
	<u>898,757</u>	<u>573,921</u>
	<u><u>898,757</u></u>	<u><u>573,921</u></u>
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Turnover analysed by geographical market</b>		
United Kingdom	120,341	116,352
Rest of the world	778,416	457,569
	<u>898,757</u>	<u>573,921</u>
	<u><u>898,757</u></u>	<u><u>573,921</u></u>

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2022****5 Other operating income**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Government grant - Coronavirus Job Retention Scheme (CJRS)	-	1,328
Sundry income	714	226
	<u>714</u>	<u>1,554</u>

The Coronavirus Job Retention Scheme (CJRS) is a government scheme set up to cover certain employment costs for employees who have been unable to work due to COVID-19. The scheme ended on 30 September 2021.

**6 Exceptional items**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Income</b>		
Restructuring income	-	1,170
	<u>-</u>	<u>1,170</u>

In the prior year, restructuring income arose from the release of unutilised provisions following site closure and reorganisation decisions during the Covid-19 pandemic. No such income or costs arose in the current financial year.

**7 Operating profit**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit for the year is stated after charging/(crediting):		
Net exchange losses	1,582	387
Research and development costs	158	114
Depreciation of property, plant and equipment	14,595	15,508
Profit on disposal of tangible fixed assets	(1,380)	(672)
Loss/(profit) on disposal of fixed asset investments	1	447
Cost of inventories recognised as an expense	651,441	452,176
Expense relating to short-term leases	1,128	983
Share-based payments	725	638
Impairment (per note 15)	1,195	5,857
Deferred tax asset write-off	-	116
	<u>-</u>	<u>116</u>

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2022****8 Auditor's remuneration**

	<b>2022</b>	<b>2021</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	199	189

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

Amounts paid in relation to other group companies, and included in the above, were £13,200 (2021: £13,200).

**9 Employees**

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

	<b>2022</b>	<b>2021</b>
	<b>Number</b>	<b>Number</b>
Production	434	378
Selling and administration	101	151
Management	139	140
<b>Total</b>	<b>674</b>	<b>669</b>

Their aggregate remuneration comprised:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	26,392	26,604
Social security costs	2,904	2,893
Pension costs	2,475	1,965
	<b>31,771</b>	<b>31,462</b>

Redundancy payments in the year amount to £nil (2021: £993,000).

Share-based payments in the year amount to £725,000 (2021: £638,000).

## SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

**10 Directors' remuneration**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration for qualifying services	1,069	618
Amounts receivable under long term incentive schemes	390	516
Company pension contributions to defined contribution schemes	36	43
	<u>1,495</u>	<u>1,177</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2021: 3).

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

Remuneration for qualifying services	635	286
Long term incentive schemes	271	394
Company pension contributions to defined contribution schemes	11	25
Accrued pension at the end of the year	2	3
	<u>      </u>	<u>      </u>

**11 Interest receivable and similar income**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest income</b>		
Interest on the net defined benefit asset	611	505
	<u>      </u>	<u>      </u>

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2022****12 Interest payable and similar expenses**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	356	502
Interest on lease liabilities	709	757
Interest on other loans	473	520
	<u>1,538</u>	<u>1,779</u>
<b>Interest on other financial liabilities:</b>		
Net interest on the net defined benefit liability	532	450
	<u>2,070</u>	<u>2,229</u>

**13 Amounts written off investments**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Loss on disposal of fixed asset investments	(1)	(447)
	<u></u>	<u></u>

**14 Taxation**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	641	21
Adjustments in respect of prior periods	(431)	1,029
	<u>210</u>	<u>1,050</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	2,429	1,230
Changes in tax rates	767	-
Benefit arising from a previously unrecognised tax loss, tax credit or temporary difference	(3,786)	-
Adjustment in respect of prior periods	793	116
	<u>203</u>	<u>1,346</u>
<b>Total tax charge</b>	<u>413</u>	<u>2,396</u>

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2022****14 Taxation****(Continued)**

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Profit before taxation	25,425	7,528
Expected tax charge based on a corporation tax rate of 19.00% (2021: 19.00%)	4,831	1,430
Effect of expenses not deductible in determining taxable profit	(291)	3,301
Income not taxable	72	(1,918)
Adjustment in respect of prior years	(431)	1,030
Effect of change in UK corporation tax rate	767	-
Other permanent differences	-	293
Deferred tax adjustments in respect of prior years	793	-
Deferred tax asset not recognised	(1,542)	(177)
Recognise provision against deferred tax asset and liability	(3,786)	(1,563)
<b>Taxation charge for the year</b>	<b>413</b>	<b>2,396</b>

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	(203)	(1,346)

## **SIMS GROUP UK LIMITED**

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

#### **FOR THE YEAR ENDED 30 JUNE 2022**

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#### **14 Taxation**

**(Continued)**

As explained in note 3, no deferred tax asset has been recognised in relation to the prior operating loss carry forward. The total prior operating loss carry forward not recognised is £119,451,000 (2021: 128,668,000).

Group relief is surrendered to fellow subsidiaries registered within the UK free of charge. In the current financial year, £249,000 (2021: nil) was surrendered to Sims Metal Management Finance Limited.

Group Relief claimed from other Group companies registered within the UK is paid for at the prevailing rate of corporation tax for the year at 19% (2021: 19%).

Finance No. 2 Bill 2015 enacted the rate of corporation tax to 19% with effect from 1 April 2017 resulting in a current tax rate for the year of 19%.

On 3 March 2021, the Chancellor of the Exchequer announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of Corporation Tax for all non-ring fence profits to 25% for the financial year 2023. The change was substantively enacted on 24 May 2021.

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date. The timing of the reversal of the Company's deferred tax items has been considered, and accordingly at 30 June 2022 deferred tax has been calculated at the tax rates that are expected to apply when the related asset is realised or liability is settled. This review concluded amounts forecast to reverse before the change in tax rate takes effect in March 2023 would be immaterial for the Company, and therefore all deferred tax assets and liabilities have been measured at 25% being the rate enacted at the balance sheet date.

On 23 September 2022, the Chancellor of the Exchequer announced that the planned tax rate change to 25% would no longer be implemented and that the main rate would remain at 19%. Because the enacted rate at the balance sheet date was 25% this announcement does not represent an adjusting event and the company's deferred tax balances as at 30 June 2022 are still calculated at that higher rate. As the Company has nil deferred tax, there is no impact to the accounts using the lower rate of 19% to calculate the deferred tax position.



**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2022****15 Impairments**

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
In respect of:		
Property, plant and equipment	455	994
Fixed asset investments	822	4,498
Leases	(82)	365
	<u>          </u>	<u>          </u>

Impairment losses in respect of fixed asset investments were incurred following a review of expected future performance of subsidiary investments.

Residual impairment losses have been incurred as a result of annual reviews to determine any indication of impairment.

**16 Intangible fixed assets**

	<b>Goodwill</b>
	<b>£'000</b>
<b>Cost</b>	
At 1 July 2021	73,075
Disposals	(48,827)
	<u>          </u>
At 30 June 2022	24,248
	<u>          </u>
<b>Amortisation and impairment</b>	
At 1 July 2021	73,075
Eliminated on disposals	(48,827)
	<u>          </u>
At 30 June 2022	24,248
	<u>          </u>
<b>Carrying amount</b>	
At 30 June 2022	-
	<u>          </u>
At 30 June 2021	-
	<u>          </u>

The disposals relate to the disposal of companies detailed further in note 18.

**SIMS GROUP UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**17 Tangible fixed assets**

	Freehold buildings	Long-term leasehold land and buildings	Assets under construction	Plant and equipment	Plant and equipment right-of-use assets	Property right- of-use assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At 30 June 2021	21,098	21,849	18,250	132,489	10,713	33,617	238,016
Additions	5,084	1,057	2,297	6,915	4,579	464	20,396
Disposals	(1,098)	(1,766)	2,028	(10,008)	(471)	(8,070)	(19,385)
Impairment	-	(5)	-	(450)	-	82	(373)
Transfers	(216)	7,393	(14,451)	7,263	-	-	(11)
At 30 June 2022	24,868	28,528	8,124	136,209	14,821	26,093	238,643
<b>Accumulated depreciation and impairment</b>							
At 30 June 2021	5,850	16,885	-	105,207	5,018	11,313	144,273
Charge for the year	565	1,615	-	7,091	2,813	2,511	14,595
Disposals	(580)	(1,753)	-	(7,979)	(385)	(5,999)	(16,696)
Transfers	(6)	(58)	-	65	-	-	1
At 30 June 2022	5,829	16,689	-	104,384	7,446	7,825	142,173

**SIMS GROUP UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**17 Tangible fixed assets**

**(Continued)**

	Freehold buildings	Long-term leasehold land and buildings	Assets under construction	Plant and equipment	Plant and equipment right-of-use assets	Property right- of-use assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carrying amount</b>							
At 30 June 2022	19,039	11,839	8,124	31,825	7,375	18,268	96,470
At 30 June 2021	15,248	4,964	18,250	27,282	5,695	22,304	93,743

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2022****17 Tangible fixed assets (Continued)**

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

**18 Investments**

	Current		Non-current	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Investments in subsidiaries	-	-	47,610	48,428

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 reduction in investments has arisen from the liquidation of Sims Lifecycle Services s.r.o, and the striking off of dormant subsidiaries Cooper Metal Recycling Ltd, Dunn Brothers (1995) Limited, Deane Wood Export Limited, Sims Metal Management UK Limited, Sims Recycling Solutions Limited and United Castings Limited.

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2022****18 Investments****(Continued)****Movements in fixed asset investments**

	<b>Shares in subsidiaries £'000</b>
<b>Cost or valuation</b>	
At 1 July 2021	131,792
Additions	5
Disposals	(36,310)
	<hr/>
At 30 June 2022	95,487
	<hr/>
<b>Impairment</b>	
At 1 July 2021	(83,364)
Impairment losses	(822)
Disposals	36,309
	<hr/>
At 30 June 2022	(47,877)
	<hr/>
<b>Carrying amount</b>	
At 30 June 2022	47,610
	<hr/> <hr/>
At 30 June 2021	48,428
	<hr/> <hr/>

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 19 Subsidiaries

Details of the company's subsidiaries at 30 June 2022 are as follows:

Name of undertaking	Registered office	Principal activities	% Held
Sims Group Recycling Solutions Canada Ltd	1200-999 West Hastings Street, Vancouver, Canada	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
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	Electronic Scrap Recycling	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
Sims Metal Limited	As above	Dormant	100.00
Sims Lifecycle Services limited	As above	Dormant	100.00
Sims Lifecycle Services Ltda	Avenida Paulo VI, nº 621, Sumaré, City of São Paulo, State of São Paulo 01262-010, Brazil	Dormant	100.00
Sims Lifecycle Services S.A deC.V.	Edificio Plaza Córdoba, 8-807, Col. Roma Norte, 06700 Ciudad de México	Dormant	99.00

(\*) = Indirectly owned

All shareholdings relate to ordinary shares.

### 20 Stocks

	2022 £'000	2021 £'000
Raw materials	16,928	17,814
Work in progress	64	75
Finished goods	77,996	63,197
	<u>94,988</u>	<u>81,086</u>

## SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

**20 Stocks (Continued)**

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

**21 Debtors**

	2022 £'000	2021 £'000
Trade debtors	47,002	46,980
VAT recoverable	8,835	9,535
Amount owed by parent undertaking	111	111
Amounts owed by fellow group undertakings	14,305	14,192
Finance lease receivables (note )	787	1,282
Other debtors	1,049	288
Prepayments and accrued income	5,271	3,992
	<u>77,360</u>	<u>76,380</u>

**22 Creditors**

	Notes	Due within one year		Due after one year	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
Creditors	23	138,028	142,197	-	-
Taxation and social security		1,936	1,961	-	-
Derivative financial instruments		2,111	1,438	-	-
Lease liabilities	24	5,810	5,460	23,407	26,957
		<u>147,885</u>	<u>151,056</u>	<u>23,407</u>	<u>26,957</u>

## SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

**23 Creditors**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	75,337	62,851
Amounts owed to subsidiary undertakings	34,566	34,655
Amounts owed to fellow group undertakings	15,459	33,565
Accruals and deferred income	8,034	7,344
Other creditors	4,632	3,782
	<u>138,028</u>	<u>142,197</u>

The Company has access to the Group's 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**

The Company enters into leases for a range of assets, predominantly real estate and plant and equipment.

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Maturity analysis</b>		
Within one year	6,494	6,181
In more than one year to five years	12,907	14,596
In over five years	12,643	15,094
<b>Total undiscounted liabilities</b>	<u>32,044</u>	<u>35,871</u>
Future finance charges and other adjustments	(2,827)	(3,454)
<b>Lease liabilities in the financial statements</b>	<u>29,217</u>	<u>32,417</u>



**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2022****24 Lease liabilities****(Continued)**

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>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Current liabilities	5,810	5,460
Non-current liabilities	23,407	26,957
	<u>29,217</u>	<u>32,417</u>
	<u><u>29,217</u></u>	<u><u>32,417</u></u>
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	709	757
	<u><u>709</u></u>	<u><u>757</u></u>

During the year the company incurred expenses of £1,128,000 (2021: £983,000) relating to short-term leases. Short-term leases are less than three months or ad-hoc spot hires, there is no commitment in relation to these leases.

The company had total cash outflows for leases of £9,056,000 (2021: £8,562,000). All leases pertain to property and equipment.

## SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

**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.

	ACAs £'000	Retirement benefit obligations £'000	Other timing differences £'000	Total £'000
Balance at 1 July 2020	-	-	-	-
<b>Deferred tax movements in prior year</b>				
Charge/(credit) to profit or loss	(1,631)	3,279	(303)	1,345
Charge/(credit) to other comprehensive income	-	(1,345)	-	(1,345)
Liability at 1 July 2021	(1,631)	1,934	(303)	-
<b>Deferred tax movements in current year</b>				
Charge/(credit) to profit or loss	379	6	(182)	203
Charge/(credit) to other comprehensive income	-	(203)	-	(203)
Liability at 30 June 2022	(1,252)	1,737	(485)	-

A deferred tax asset of £29,863,000 (2021: £32,167,000) has not been recognised in relation to prior operating loss carry forward, totalling £119,451,000 (2021: 128,668,000).

**26 Provisions for liabilities**

	2022 £'000	2021 £'000
Dilapidations	6,088	6,225
Onerous Contracts	1,076	3,073
Holiday Pay	-	69
	<u>7,164</u>	<u>9,367</u>

## SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

**26 Provisions for liabilities (Continued)**

Movements on provisions:	Dilapidations	Onerous Contracts	Reorganisation	Holiday Pay	Total
	£'000	£'000	£'000	£'000	£'000
At 1 July 2021	6,225	3,073	-	69	9,367
Additional provisions in the year	570	(4,900)	(72)	86	(4,316)
Prior year current liabilities	614	6,047	134	204	6,999
Utilisation of provision	(58)	(1,262)	(62)	(273)	(1,655)
Reclassification	(1,263)	(1,882)	-	(86)	(3,231)
At 30 June 2022	6,088	1,076	-	-	7,164

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.

Reclassification includes adjustments to current liabilities.

The onerous contracts provision has been discounted at a risk free rate of 1.11% (2021: 0.82%). Holiday pay is now settled within 12 months. 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 £2,439,086 (2021: £888,367). Contributions totalling £234,882 (2021: £253,082) were payable to the fund at the balance sheet date and are included in creditors.

## SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

**27 Retirement benefit schemes****(Continued)****Defined benefit pension surplus**

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% (2021 - 0%) of payroll (of which an average of 0% (2021 - 0%) is expected to be paid by members) plus additional contributions of £nil (2021 - £nil) per month.

*Valuation*

A full actuarial valuation of the Scheme was carried out as at 05 April 2021 and has been updated to 30 June 2022 by a qualified independent actuary.

	<b>2022</b>	<b>2021</b>
<i>Key assumptions</i>	<b>%</b>	<b>%</b>
Discount rate	3.70	1.90
Rate of inflation (RPI)	3.05	3.00
Rate of inflation (CPI)	2.45	2.35
RPI max 5%	3.00	2.90
RPI max 3%	2.40	2.40
	<b>=====</b>	<b>=====</b>
<i>Mortality assumptions</i>	<b>2022</b>	<b>2021</b>
Assumed life expectations on retirement at age 65:	<b>Years</b>	<b>Years</b>
Retiring today		
- Males	21.1	21.1
- Females	23.6	23.5
	<b>=====</b>	<b>=====</b>
Retiring in 20 years		
- Males	22.4	22.3
- Females	25.1	25.0
	<b>=====</b>	<b>=====</b>

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2022****27 Retirement benefit schemes****(Continued)**

	<b>2022</b>	<b>2021</b>
<i>Amounts recognised in the profit and loss account</i>	<b>£'000</b>	<b>£'000</b>
Net interest on defined benefit asset	(79)	(55)
Other losses	57	49
	<u>          </u>	<u>          </u>
Total income	<u>(22)</u>	<u>(6)</u>
	<u>          </u>	<u>          </u>
	<b>2022</b>	<b>2021</b>
<i>Amounts recognised in other comprehensive income</i>	<b>£'000</b>	<b>£'000</b>
Actuarial changes arising from changes in demographic assumptions	-	(669)
Actuarial changes arising from changes in financial assumptions	(5,979)	(1,540)
Actuarial changes arising from experience adjustments	(452)	(152)
Actuarial changes related to plan assets	7,244	1,970
	<u>          </u>	<u>          </u>
Total (income)/expense	<u>813</u>	<u>(391)</u>
	<u>          </u>	<u>          </u>

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Present value of defined benefit obligations	(21,546)	(28,516)
Fair value of plan assets	24,987	32,748
	<u>          </u>	<u>          </u>
Surplus in scheme	<u>3,441</u>	<u>4,232</u>
	<u>          </u>	<u>          </u>

## SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 30 JUNE 2022

## 27 Retirement benefit schemes

(Continued)

	2022 £'000	2021 £'000
<i>Movements in the present value of defined benefit obligations</i>		
At 1 July 2021	28,516	31,599
Current service cost	-	-
Benefits paid	(1,071)	(1,172)
Actuarial gains and losses both experience and financial	(6,431)	(2,361)
Interest cost	532	450
At 30 June 2022	21,546	28,516

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

	2022 £'000	2021 £'000
<i>Movements in the fair value of plan assets:</i>		
At 1 July 2021	32,748	35,434
Interest income	611	505
Return on plan assets (excluding amounts included in net interest)	(7,244)	(1,970)
Benefits paid	(1,071)	(1,172)
Other	(57)	(49)
At 30 June 2022	24,987	32,748

The actual return on plan assets was £6,633,000 (2021 - £1,465,000).

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

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

		2022	2021
Discount rate +/- 0.1% pa	- increase	1.4%	1.7%
	- decrease	1.3%	1.7%
Price Inflation +/- 0.1% pa	- increase	0.7%	1.1%
	- decrease	0.9%	1.1%
Assume members are 1 year younger for life - increase expectancy		3.9%	4.6%

**SIMS GROUP UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2022****27 Retirement benefit schemes****(Continued)**

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Equities & Diversified Growth	-	2,531
Corporate Bonds	1,218	3,839
Gilts	-	13,029
Cash	657	11,124
Multi-Sector Credit	7,972	242
Secure Income	3,328	2,157
Buy and Maintain Credit	6,454	-
LDI	5,560	-
Net Current Assets	(202)	(174)
	<u>24,987</u>	<u>32,748</u>

Secure Income is the only unquoted asset, all other assets are quoted.

**Information about the characteristics of the Scheme**

The Scheme provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary and their length of service.

There is an estimated credit in the Profit and Loss of £128,000 relating to the reporting year ended 30 June 2023.

The Scheme closed to new members on 5 April 2016.

The Scheme is a registered scheme under UK legislation and is subject to the scheme funding requirements.

The Scheme was established from 24 July 1997 under trust and is governed by the Scheme's trust deed and rules dated 13 February 2004.

Sims Group UK Pension Trustees Limited ("the Trustees") are responsible for the operation and the governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy in conjunction with the Company.

**Information about the risks of the Scheme to the Company**

The Scheme exposes the Company to actuarial risks such as; market (investment) risk, interest rate risk, inflation risk currency risk and longevity risk.

The Scheme does not expose the Company to any unusual Scheme-specific or Company-specific risks.

## **SIMS GROUP UK LIMITED**

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

**FOR THE YEAR ENDED 30 JUNE 2022**

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#### **27 Retirement benefit schemes**

**(Continued)**

##### **Information about the valuation of the defined benefit obligation at the accounting date**

The most recent formal actuarial valuation of the Scheme was as at 5 April 2021.

The liabilities at the reporting date have been calculated by updating the results of the actuarial valuation of the Scheme (as at 5 April 2021) for the assumptions as detailed in these disclosures. Allowance has been made for member movements, expected mortality and actual movement in financial conditions since the valuation date. More details can be found in Section 03.02.

Such an approach is normal for the purposes of accounting disclosures. It is not expected that these projections will be materially different from a summation of individual calculations at the accounting date, although there may be some discrepancy between the actual liabilities for the Scheme at the accounting date and those included in the disclosures.

##### **Information about the most recent actuarial valuation and expected future cashflows to and from the Scheme**

The valuation as at 5 April 2021 revealed a funding surplus of £46,000. Given that the Scheme was in surplus at the date of the last actuarial valuation, the Company is not expected to pay any deficit reducing contributions to the Scheme.

The contributions paid by the Company are reviewed every 3 years as part of each formal actuarial valuation. The Scheme's next actuarial valuation is due at 5 April 2024.

Standard Scheme investment expenses are deducted from the various funds at source. All other Scheme expenses, including the Pension Protection Fund Levy, are paid by the Company.

The liabilities of the Scheme are based on the current value of expected benefit payment cashflows to members approximately over the next 60 to 70 years. The average duration of the liabilities is approximately 14 years.

##### **The Scheme's investment strategy**

The Scheme's investment strategy is to invest broadly 45% in return seeking assets (primarily multi-strategy credit and secure income funds) and 55% in matching assets (mainly government bonds, corporate bonds and LDI). This strategy reflects the Scheme's liability profile and the Trustees' and Company's attitude to risk.

The Scheme's investments include interest rate and inflation hedging, of around 100% of the Scheme's liabilities.

The Scheme does not hold any ordinary shares issued or property occupied by the Company.



# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 27 Retirement benefit schemes

(Continued)

The growth assets held are expected to provide protection over inflation in the long term. Note that the Scheme hedges interest rate risk on a statutory and long-term funding basis (gilts) whereas AA corporate bonds are implicit in the IAS19 discount rate and so there is some mismatching risks to the Company should yields on gilts and corporate bonds diverge. The Scheme's exposure to corporate bonds mitigates this risk to some extent.

The Scheme does not directly hold any financial derivatives but invests in funds which hold the derivatives required to hedge the scheme's interest rate, inflation and currency risks. The main risks associated with financial derivatives include: losses may exceed the initial margin, counterparty risk, and liquidity risk. These risks are managed by the monitoring of investment managers to ensure they have reasonable levels of market exposure relative to initial margin and positions are fully collateralised on a daily basis with secure cash of gilts collateral.

### 28 Called up share capital

	2022	2021	2022	2021
	Number	Number	£'000	£'000
Ordinary share capital				
Authorised, issued and fully paid				
Ordinary of £1 each of £1 each	50,000,000	50,000,000	50,000	50,000

### 29 Profit and loss reserves

	2022	2021
	£'000	£'000
At the beginning of the year	67,458	60,589
Profit for the year	25,012	5,132
Actuarial differences recognised in other comprehensive income	(813)	391
Tax on actuarial differences	203	1,346
At the end of the year	91,860	67,458

### 30 Related party transactions

In accordance with FRS 101, the company has taken advantage of the exemption available not to disclose transactions with other wholly owned group undertakings.

There are no other related party transactions outside of those with group undertakings.

### 31 Events after the reporting date

There were no subsequent events after the balance sheet date.

## **SIMS GROUP UK LIMITED**

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

***FOR THE YEAR ENDED 30 JUNE 2022***

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#### **32 Controlling party**

The immediate parent company is Sims Group UK Holdings Limited, a company incorporated in England and Wales with the same registered office as Sims Group UK Limited. 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 the registered office address of Sims Limited; Suite 2, Level 9, 189 O'Riordan Street, Mascot, NSW 2020 Australia.