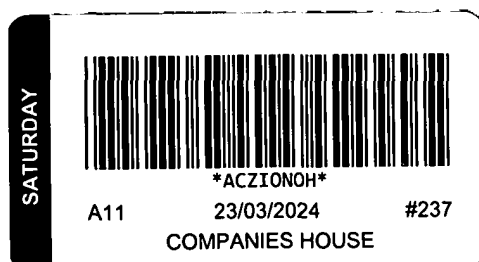


Company registration number 03242331 (England and Wales)

**SIMS GROUP UK LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**



# **SIMS GROUP UK LIMITED**

## **COMPANY INFORMATION**

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**Directors**

Mr P M Wright

Mrs K J Lee

(Appointed 12 October 2022)

Mr S J Van Wyk

(Appointed 12 October 2022)

**Company Secretary**

Mr R P Brierley

**Company number**

03242331

**Registered office**

Long Marston

Stratford-upon-Avon

Warwickshire

England

CV37 8AQ

**Auditor**

Deloitte LLP

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Birmingham

B1 2HZ

**Bankers**

HSBC Bank Plc

60 Queen Victoria Street

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J P Morgan Chase

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BH7 7DA

**Solicitors**

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United Kingdom

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# **SIMS GROUP UK LIMITED**

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# **SIMS GROUP UK LIMITED**

## **STRATEGIC REPORT**

**FOR THE YEAR ENDED 30 JUNE 2023**

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The directors present the strategic report for the year ended 30 June 2023 (FY23).

### **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 2023 reflected the challenging market conditions, following the FY22 record year of high volumes and significant gross margin improvement, with metal prices deteriorating significantly in FY23, and high inflationary cost pressures.

During the year the Company earned a net loss of £21,837,000 (2022: net profit of £25,012,000) while the closing net asset position was £117,796,000 (2022: 141,860,000).

The closing net current liabilities of £3,270,000 (2022: net assets of £24,910,000) arose from the reduction in closing inventory due to volumes and commodity prices falling in the latter part of FY23.

Turnover decreased 9% (2022: increased 57%) demonstrating resilience in a volatile year with commodity prices retreating significantly post April 2023 driven by a broader slowdown in global manufacturing activity and China's below-expectations growth. Sales volumes decreased by 6.3% (2022: increased 9.0%) compared with the prior financial period in a competitive market environment. Management continue to focus on protecting margin across all segments during this ongoing period of economic uncertainty.

Cost pressures persisted throughout the year. 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 2023**

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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.
- From 4 July 2022 sales arranged by the global ferrous and non ferrous business units are 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.

Through regular communication from Group, employees are kept informed as to what is proposed and what decisions have been taken as well as progress made. In relation to the global process of 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 2023**

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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. Activities to support the interaction with local communities are encouraged, such as working with Fire & Rescue services to support their training. These are communicated through regular newsletters.

The Company is well embedded into local communities having 36 (2022: 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 2023**

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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.

The Board undertake regular engagement with shareholders throughout the financial year in the form of Investor days, to understand their views and act in their best interests.

#### **Financial risk management objectives and policies**

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

The Company's operations expose it to a variety of financial risks that include foreign exchange risk, credit risk, commodity price risk, liquidity risk, interest rate risk and capital risk, and also health and safety 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**

Liquidity risk occurs due to timing of cashflows with regards to working capital and any significant capital investments. 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 arises from debt facilities that have arisen through the Group cash-pooling facility. 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.

## **SIMS GROUP UK LIMITED**

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

**FOR THE YEAR ENDED 30 JUNE 2023**

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#### **Foreign exchange risk**

Foreign exchange risk occurs whenever there are significant fixed asset purchases or sales made in Euros or US Dollars. 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, agreed that 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.

#### **Commodity price risk**

The Company is exposed to risks associated with fluctuations in the market price for ferrous and non-ferrous metals, which are at times volatile. The Company seeks to mitigate commodity price risk by seeking to turn over its inventories quickly. For non-ferrous material, the Group also uses forward commodity contract matched to purchases or sales of non-ferrous metals, to minimise price risk exposure.

#### **Credit risk**

Credit risk arises from sales made to third parties, which are not cash in advance.

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 2023

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### Non-financial and sustainability information

#### Climate-related financial disclosures

Effective for periods commencing on or after 6 April 2022, The Climate-related Financial Disclosure Regulations 2022 have been introduced in the UK to report on material climate-related matters and its impact on Sims Group UK Limited. For the year ended 30 June 2023, Sims Group UK Limited meets the relevant threshold of having more than 500 colleagues and a turnover of more than £500m. On behalf of Sims Group UK Limited, Sims Limited, the parent company, has therefore set out below the climate-related financial disclosures covering how climate change is addressed in corporate governance, the impacts on the strategy, how climate-related risks and opportunities are managed, and the performance metrics and targets applied in managing these issues.

Sims Limited creates value by using circular solutions to provide pathways to a low-carbon economy. Through its three business divisions, Sims Lifecycle Services, Sims Metal, and Sims Resource Renewal, Sims Limited enables the reuse of finite natural resources. Sims Limited operates in 14 countries. The company's ordinary shares are listed on the Australian Securities Exchange (ASX: SGM) and its American Depositary Shares are quoted on the Over-the-Counter market in the United States (USOTC: SMSMY). For more information, visit [www.simsltd.com](http://www.simsltd.com).

Oversight and coordination of climate related risk and opportunities is performed at the Sims Limited level. Sims Limited believes this supports:

- Consistency across operating geographies and business,
- Integration into relevant globally coordinated corporate processes, such as strategic planning and risk management,
- Effective consideration of global risks and opportunities, such as changes in global commodity markets for Sims Limited products,
- Effective consideration by senior leaders and the Board of Directors
- Effective resource planning and deployment, and

Ease of understanding for stakeholders through coordinated action planning, policy approach and disclosure.

There are no unique governance or risk management structures or activities that apply only in the UK.

Stakeholders are also invited to refer to Sims Limited's annual Sustainability Report and Climate Report, available online, as supplementary material: <https://www.simsltd.com/sustainability/download-centre/>

#### Summary Strategy and Position on Climate Change

As the world grapples with the need for urgent climate action, Sims Limited's purpose, to create a world without waste to preserve our planet, calls us to climate action. Through our circular business activities, we help customers achieve lower carbon intensity in their processes and products, as well as avoid disturbing carbon sinks in the natural environment by reusing finite natural resources. Sims Limited also acts on reducing greenhouse gas (GHG) emissions from its own business, in line with our purpose - create a world without waste to preserve our planet - and to enable the low-carbon economy of the future.

Sims Limited's sustainability strategy is designed to help drive positive impact on the environment and society while creating value for our stakeholders. The strategy's sustainability pillars, operate responsibly, close the loop and partner for change, are the foundation of Sims Limited's sustainability ambitions.

## SIMS GROUP UK LIMITED

### STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

Progress is measured with clear targets and goals, which are set for FY25. Each pillar is aligned to one of three U.N. SDGs:

- SDG 8: Decent Work and Economic Growth,
- SDG 13: Climate Action, and
- SDG 12: Responsible Consumption and Production,

to highlight where Sims Limited's actions most contribute to a greater collective impact. For more details on this strategy, refer to the FY23 Sustainability Report by visiting [www.simsltd.com/sustainability](http://www.simsltd.com/sustainability).



Sims Limited's climate action plan is linked with the Close the Loop pillar, and action will involve addressing all goals in the strategy. Developing a skilled, diverse workforce; being transparent; partnering for impact in our communities; and creating new circular business models are all essential to achieving the climate action plan.

Sims Limited considers "net zero" (2050) to be the point at which emissions are reduced by at least 90% compared with the company's baseline year with residual emissions offset. Sims Limited believe that pursuing carbon neutrality (where emissions are balanced with carbon offsets) by 2030 appropriately aligns with the company's purpose and commitment to SDG 13: Climate Action.

#### Climate Change Governance

##### Board of Directors

The process of climate governance, risk and opportunity management is performed at the Sims Limited level. There are no unique governance or risk management structures or activities that apply only in the UK.

The Sims Limited Board of Directors is responsible for ensuring that Sims Limited has adequate policies and strategies in place to understand and manage climate risk while also seizing the opportunities presented by the transition to a low-carbon economy as part of the strategy.

The Safety, Health, Environment, Community and Sustainability (SHECS) Committee assists the Board in overseeing its climate-related performance and governance responsibilities. At least annually, the Risk Committee reviews climate-related risk and opportunities and is ultimately responsible for overseeing the embedding of climate risk into the enterprise risk management (ERM) approach and setting the risk appetite for the company.

## **SIMS GROUP UK LIMITED**

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

**FOR THE YEAR ENDED 30 JUNE 2023**

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The charters for these committees are available can be found at [www.simsltd.com/governance](http://www.simsltd.com/governance). In practice, all members of the Board participate in each committee meeting, which supports holistic consideration of climate-related topics.

Climate change and the low-carbon transition are routinely on the Board's agenda, including strategy, risk management and progress against our targets. In FY23, the Board:

- Endorsed the FY22 Climate Report and the approach to be taken for the advisory vote at the 2022 AGM.
- Reviewed and endorsed the FY23 review of industry association lobbying positions.
- Monitored progress to decarbonisation targets.
- Consulted with shareholders on climate-related matters through the chair and CEO.
- Considered climate-related issues when reviewing acquisitions.
- Reviewed changes to climate-related risk disclosure in the FY23 Annual Report.
- Reviewed changes to climate policy and regulation at the global and national level, such as COP27 outcomes and changes to the Australian Safeguard Mechanism.

In addition, the Risk Committee reviewed key risks and their indicators, including those related to climate change. The Remuneration Committee approved new components related to the achievement of climate-change targets in executive remuneration (FY23 onwards) and reviewed their appropriateness.

The Board uses a range of formal and informal communication channels to understand the views of shareholders in relation to climate change. Increasingly, commentary related to climate change is part of all routine investor engagements, including roadshows, 2023 Investor Days and investor engagement meetings. During FY23, the Board chairman, CEO, chief financial officer, members of the executive team, and Investor Relations teams met with investors and analysts globally, including in the United Kingdom. Included in climate-related topics were ESG governance and value chain emissions.

#### **Executive Leadership team**

With support and input of the executive leadership team (ELT), the chief risk and sustainability officer (CRSO) is responsible for providing and maintaining the ERM framework, within which climate change risk is integrated, as well as being accountable for oversight of climate-related matters across the company. This includes monitoring performance across the business, maintaining the integrated ERM system and performance disclosure. In FY23, the CRSO's title was changed to include sustainability (formerly chief risk and compliance officer) to reflect Sims Limited's commitment to sustainability at the executive level. No organisational structure change was required. The CRSO reports to the chief executive officer (CEO) and Board.

Executives are ultimately the risk owners and are accountable for identifying, managing, and monitoring climate-related risks and opportunities within the ERM and risk appetite frameworks. Key risks are reported to the Board's Risk Committee at least quarterly. The CEO, CRSO and the entire ELT are accountable for the company's actions and commitments to embed climate change into the risk management and business strategy.

Under the leadership of the CEO, the executive leadership and management teams are responsible for implementing the strategic direction and delivering the goals approved by the Board. These include implementation of climate-related targets and policy positions, identification and management of risks and opportunities, and reporting on these topics to the Board directly and/or through the relevant Board committees.

# SIMS GROUP UK LIMITED

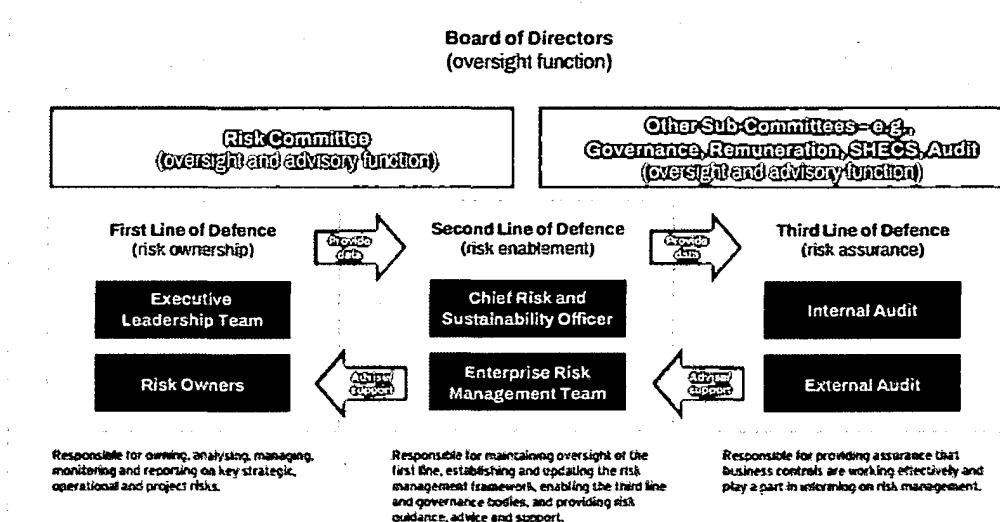
## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### Opportunity & Risk Management

#### Risk management

Climate change risk is integrated into Sims Limited's Enterprise Risk Management (ERM) system, which is operated in all geographies, including in the UK. Executives and operational leaders from the UK are involved in risk identification, treatment and management as part of their role responsibilities. Sims Limited's approach to applying risk management and controls is the "three lines of defence" model. Our management teams are empowered to own and manage risks directly as the first line of defence, supported by the risk management team as second line. Internal and external audit represents the third line of defence, with oversight by the Board. The concept behind the model is that each line has a specific role to play in ensuring risks and opportunities are identified, managed and monitored to support the delivery of Sims Limited's strategic objectives, and ensuring a level of oversight and 'checks-and-balances' is built in within the organization, driving transparency and accountability. Performance of the risk management system is monitored at least quarterly and reported to the Risk Committee.



Sims Limited's primary risk assessment process comprises a comprehensive annual risk identification and review exercise, which involves executive, operational and specialist staff, including staff in the UK. Such a review was undertaken during the 2023 financial year. Sims Limited also performs regular (at least quarterly) horizon scanning for emerging risks, trends and opportunities, and maintains an ongoing 'watchlist' of key areas of interests, including ESG and climate related policy, risks and opportunities.

To identify climate change risks and opportunities for scenario analysis, senior management perspectives on future climate and risks and opportunities for Sims Limited were captured in a survey (FY21) and an Executive Leadership validation and prioritisation workshop was conducted to identify the most material ones. Risks were considered as those most likely and most impactful to financial outcomes, achievement of growth strategy, and safety. This was performed at the Sims Limited level. We consider the outcome of the work to be applicable to the specific UK business given the consistent business operations between Sims Limited regions, Sims Limited's globally integrated and consistent management and strategy processes, and because of the global trading of processed scrap metal products. These results were reviewed and validated separately by the Board of Directors. The process was facilitated by a third party.

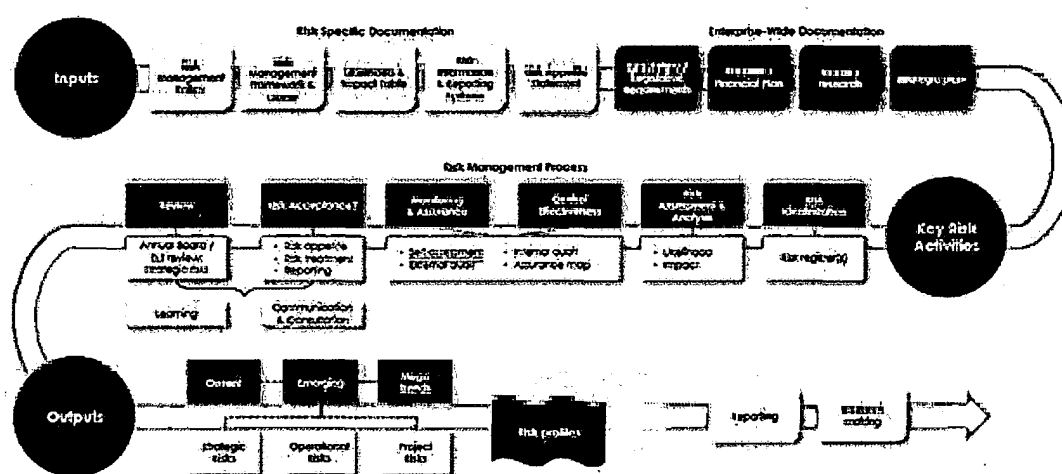
## SIMS GROUP UK LIMITED

### STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

In the initial analysis, conducted in 2021, physical risks at 22 of Sims Limited's largest sites globally (including six in the United Kingdom) and at 36 strategic destination ports worldwide, were considered. In subsequent years, this analysis has expanded to consider all operational sites, as well as additional risk indicators such as water stress. It is Sims Limited's intention to conduct a refreshed climate risk identification and assessment, and scenario analysis during calendar year 2024.

The diagram below shows the flow of information through the Sims Limited risk management process.



#### Scenario analysis

In informing our strategy, Sims Limited has identified climate-related risks and opportunities over the short (2030), medium (2050) and long term (2070). These occur in relation to both the physical risks of rising temperatures and the transition to a low-carbon economy. The 2030 and 2050 bounds align with Sims Limited's current set of climate targets and have data available in scenarios to inform analysis. 2070 represents a long view and was particularly used to understand physical risks, which are anticipated to increase over this century. For some risks and opportunities, a midpoint of 2040 was also considered.

Sims Limited has used scenarios to assist with the understanding of these risks and opportunities for our operated businesses. Scenarios describe a range of possibilities for the future, to provide a structured way of thinking through uncertainty and making strategic choices. Both lower- and higher-emissions scenarios have been used to understand the potential projected range of climate-related financial impacts.

Sims Limited used publicly available information from the Representative Concentration Pathways (RCPs) adopted by the Intergovernmental Panel on Climate Change Fifth Assessment Report (IPCC AR5) and Network for Greening the Financial System (NGFS) to describe different possible futures and indicative economic and social impacts. The RCPs were selected to inform the climate trajectories that were used to assess the impacts of acute and chronic climate changes on Sims' Limited assets and infrastructure. The NGFS climate scenarios have been selected to help to understand the impact of environmental and climate change policy (e.g., carbon pricing) on the cost of operations, inform the projected demand landscape for recycled metals and electronics, and the required timings and technologies for Sims Limited to decarbonise.

**SIMS GROUP UK LIMITED**

**STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2023**

*Table 1 - description of selected scenarios*

RCP4.5	RCP4.5 is an intermediate scenario, where emissions peak around 2040 and then decline. RCP4.5 is more likely than not to result in global temperature rise between 2°C and 3°C by 2100.
RCP8.5	RCP8.5 is generally taken as the basis for worst-case climate scenarios, where emissions continue to rise throughout the 21 <sup>st</sup> century. RCP8.5 is more likely than not to result in global temperature rise over 4°C by 2100. Significant adaptation measures to protect assets, infrastructure, communities and workforce are required.
NGFS orderly	The scenario assumes climate policies are introduced early and become gradually more stringent, with low to medium variation globally. Both physical and transition risks are relatively low. Net Zero by 2050 and global temperature rise at or under 2°C.
NGFS disorderly	The scenarios explore higher transition risk due to policies being delayed and/or divergent across countries and sectors. Emissions reductions needed to be sharper than in the orderly scenario, creating higher transition risks and higher carbon prices. Global temperature rise is at or under 2°C.
NGFS hothouse world	Scenario assumes that climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global temperature rise over 3°C. Severe physical risks, irreversible impacts (e.g. sea-level rise) and significant losses to the global economy are features of this scenario.

Physical risks can be acute (e.g., cyclones or floods) or chronic (e.g., sustained higher temperatures that may lead to sea-level rise). Transitional risks and opportunities encompass the impacts of policy, regulatory and market changes required to transition to a low-carbon economy.

#### **Operational climate risk management**

In FY23, Sims Limited extended its analysis of physical risk and created a new risk management dashboard that incorporates information about climate risk for all premises, using two different scenarios. The information comes from the climate scenario analysis and publicly available sources and considers factors such as water stress, sea-level rise and temperature rise. The dashboard can be overlaid with additional information about the site, such as demographic information or processed volume, to help provide a holistic risk picture.

The dashboard is available to operational and Merger & Acquisition teams to inform decision-making and plan adaptation measures. Over coming years, additional training and guidance for users of this tool will be provided to help further integrate climate scenarios into operational decision making and planning.

#### **Key climate risks and opportunities**

Analysis of strategic risks and opportunities is conducted at Sims Limited level, supplemented by physical risk analysis at site level as described above. The table below is globally applicable but features UK specific datapoints as highlights.

## SIMS GROUP UK LIMITED

### STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2023**

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Action plans already exist for strategic mitigations to the risks and opportunities outlined, and further detail on key developments is found within the Sims Limited Sustainability reporting suite as well as the company's Annual Report. Overall, short term (2030) strategy and business planning includes actions to ensure management of climate related opportunities and risks, such as:

- Investment to deliver improvements in metal processing quality and quantity.
- Acquisition of strategically relevant businesses and sites to support future growth and market access.
- Development of Sims Limited's climate action plan as described in the FY23 Climate Report, including energy productivity projects, electrification of mobile plant, and sourcing renewable electricity.
- Development of climate-related risk dashboard to improve access to scenario-informed decision making.
- Establishment of the Sims Resource Renewal business, which will close Sims Limited's own loop by converting material currently destined for landfill into new products for society. During FY23 the first demonstration plant was commissioned in Queensland, Australia.
- Engagement with policymakers and industry associations to promote development of the circular economy and its role in achieving Paris-aligned emissions reductions.
- Engagement with stakeholders including conducting a regular advisory vote on Sims Limited's climate action plan.

Over the medium and longer terms (2030 and beyond) planning involves assessment of regulatory, customer, technology and market trends both for operations and value chain. These trends (in relation to Scope 1, 2 and 3 emissions) are further discussed in the FY23 Climate Report.

Physical risks increase in impact over the longer-term timeframe over all scenarios. With the mitigation plans outlined above and investment over time in adaptive measures to address heat and heavy rainfall impacts, significant physical risks can be adequately managed. Sims Limited's global footprint also lends resilience to its business model. We believe that Sims Limited's business model and strategy appear resilient to physical climate risks at 2-4°C including for operations in the United Kingdom.

Identified transition risks are adequately managed through the strategy above. Sims Limited recognises that decarbonisation of its business requires investment but also generates benefits – for instance electrification of equipment may have a higher upfront cost but lower total cost of ownership over the operating life, as well as being quieter and more pleasant for employees to operate and reducing potential exposure to particulates from fuel combustion. Sims Limited renewable electricity supply was 84% globally in FY23, including all sites in the UK (where Sims Limited procures the electricity). Overall, Sims Limited believes that the opportunities for Sims Limited businesses in the UK and globally in the transition to the low-carbon economy are considerable.

To achieve emissions reductions goals, a wide-scale transformation of energy, industrial and transport systems, as well as enabling technology, will be required. As these sectors decarbonise, they will also build out new infrastructure, contributing to a growing demand for renewable energy technologies, lower-carbon mobility in all forms, and the data centre technology that assists efficient and intelligent operations. As these sectors grow, so, too, will the demand for the metals and cloud devices needed to build them, especially as societies globally continue to urbanise. Copper is required for the buildout of electrification and renewable energy. Aluminium is required for electric vehicles and solar panels. Low-carbon steel will be in demand as cities grow – for buildings, rail infrastructure and wind turbines. Incorporation of scrap metals is one of the most effective levers for decarbonisation for metals production and for our customers. Sims Limited's circular businesses support the delivery of these goals by recycling and supplying metals and cloud devices that are essential to a circular, low-carbon economy.

## **SIMS GROUP UK LIMITED**

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

***FOR THE YEAR ENDED 30 JUNE 2023***

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Therefore, based on this assessment Sims Limited believes its strategy is fundamentally resilient in different climate scenarios (including a 1.5°C Net Zero scenario) over the short, medium and longer term, and provides a strong foundation to capitalise on climate related opportunities and further increase resilience against climate related risks.



		Reference Scenario	Time frame	Indicators Considered	Potential outcomes	Potential impacts	Strategic mitigations and responses
Risks	Extreme Heat	RCP 4.5 RCP 8.5	2030 2050 2070	<p>Fraction of the year in locally defined hot days</p> <p>Days above 33°C/90°F (Sims Limited's heat stress policy threshold)</p> <p>Sites in water-stressed areas</p>	<p>By 2050, global sites may experience an additional 5% to 40% locally defined hot days in a year. Large increases are observed in the UK.</p> <p>Water scarcity is not a high risk for UK sites under either scenario.</p>	<p>Machine productivity may decrease if recommended operating conditions are exceeded, resulting in a negative financial impact to Sims Ltd UK.</p> <p>Decreased employee productivity and/or increased safety incidents resulting from heat stress.</p> <p>Water availability may be limited, causing impacts to dust suppression activities and/or higher costs for water.</p>	<p>Sims Limited's Environment, Health and Safety (EHS) policy system includes heat stress with mitigations to working hours, provision of shade, water etc to prevent heat-related illness.</p> <p>We are investing in water recycling solutions to reduce water consumption. We are also investing in advanced dust suppression technology that does not use water as an input (USA).</p> <p>Collective action to encourage decarbonisation.</p>
	Extreme Rain (Flooding and Cyclones)	RCP 4.5 RCP 8.5	2030 2050 2070	<ul style="list-style-type: none"> <li>Wettest day rainfall</li> <li>Cyclones /hurricanes</li> <li>Mean sea-level-rise (2050 only)</li> <li>1-in-100-year extreme sea-level rise (2050 only)</li> </ul>	<p>Extreme rain will increase by 5 to 10% in the UK. Extreme rainfall risks are larger under RCP 8.5 and in the longer term (2070).</p> <p>By 2050 under RCP8.5, hurricanes increase by 12% in the UK and rain carried by cyclonic events also increases.</p>	<p>Damage to assets and productivity loss, resulting in negative financial impact.</p> <p>Disruption to value chain (logistics, port operations and customer operations) may also occur.</p>	<p>Adaption at sites (not UK-specific) including elevation of wharf, buildings, electrical equipment. Sites prepare and periodically update emergency response plans. Lessons from historic flood events are shared globally.</p> <p>Scenario results evaluated in acquisition due diligence processes.</p>

SIMS GROUP UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

Risks/Opportunities	Greater Climate Change Regulation	NGFS Orderly, Disorderly, hothouse world	2030 2040 2050	<ul style="list-style-type: none"> <li>Carbon pricing policies and regulations</li> <li>Cost of carbon</li> <li>Recycling policies and regulations</li> </ul>	<p>Range of divergent policy measures such as carbon pricing, border adjustments, recycling content policies, etc.</p> <p>Higher costs in value chain for Sims Limited customers and suppliers.</p>	<p>Highest increase in costs occur when Sims Limited takes no action to decarbonise own operations.</p> <p>Greater demand for recycled products and inputs (explored further below).</p>	<p>Sims Limited keeps abreast of changing regulation and legislation relevant to our business. This allows us to monitor and prepare for future changes and engage with policymakers where relevant.</p> <p>We have set ambitious climate-action targets and have taken steps to decarbonise our operations, independent of a regulatory requirement. We procure 100% Renewable Energy Guarantees of Origin (REGO) certificates backed renewable electricity in the UK.</p> <p>Adopted shadow carbon price internally to model the potential impacts of carbon pricing on our operations and strategy.</p>
	Increased Demand for Recycled and Refurbished Products	NGFS Orderly	2030 2040 2050	<ul style="list-style-type: none"> <li>Steel demand (MT*)</li> <li>Availability of scrap steel (MT)</li> <li>Increase of available scrap steel (%)</li> </ul> <p>*million tonnes</p>	<p>The availability of recycled steel and scrap supply is expected to continue increasing. Sims Metal's processing demand under these scenarios is projected to double by 2050 (global). Change in customer preferences and legislation to prioritise lower-emissions products and incorporation of recycled/refurbished content.</p>	<p>Increased revenue for Sims Limited.</p> <p>Increased customer expectations on climate performance and disclosure</p>	<p>Engagement with policymakers and industry associations to promote growth of the circular economy.</p> <p>Investment in tools and resources to improve ESG transparency.</p>

SIMS GROUP UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

Investment to Decarbonise Operations	NGFS Orderly	2030 2040 2050	<ul style="list-style-type: none"> <li>• Energy generation</li> <li>• Energy storage</li> <li>• Modern transition fuels (e.g., biofuels)</li> <li>• Carbon market development</li> </ul>	Sims Limited will need to monitor emerging technologies and solutions to make financially prudent investments.	<p>Investment required for fossil-fuel displacement and electricity productivity projects.</p> <p>Increase use of renewable electricity which may attract premiums over the short and medium term.</p> <p>Costs for carbon offsets for residual emissions.</p>	Sims Limited has committed to becoming net zero by 2050 with staged goals at 2025 and 2030. Our Scope 1 and 2 targets are consistent with the SBTi methodology. Sims Limited have defined our key pathways to decarbonisation as outlined in the Climate Report. During FY23 the UK have electrified key assets such as balers (Avonmouth) and placed an order for our first on-road electric truck (Newport). Sims Limited use an internal shadow price on carbon to model potential impact of decarbonisation investment and costs of potential carbon offsetting.
Access to capital	NGFS Orderly	2030 2040	<p>ESG disclosure performance</p> <p>Development of investment taxonomies such as the UK Green Taxonomy</p>	<p>Investors and financiers seek to lower the emissions impact of their portfolios in line with changing market preferences and/or regulation.</p> <p>The drive to a low-carbon economy leads to new finance models becoming available.</p>	Sims Limited increases appeal to investors and capital providers with sustainability-aligned portfolios. Transparency on our performance positions us to be able to take advantage of emerging sustainability finance instruments, such as green bonds or sustainability-linked loans, if required in the future.	Sims Limited has invested in focussed ESG data and reporting resources to improve transparency, enabling us to demonstrate our ESG credentials. Sims Limited monitors developments and engages with investors as part of our ongoing investor relations program.

## SIMS GROUP UK LIMITED

### STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

#### Our targets

Sims Limited's actions towards reducing energy use and carbon emissions have taken place over many years, and we have already achieved significant progress, including a 32% reduction in global Scope 1 and 2 emissions on our current baseline year of FY20 (market-based). Sims Limited continues to mature its tools and processes to measure its environmental impacts. Identified Climate risks and opportunities are linked to GHG metrics, in particular for Scopes 1 and 2, and therefore associated targets include our emissions reduction and net zero targets.

In FY22, Sims Limited announced new climate action targets in response to the increasing urgency of climate change and the material importance of reducing GHG emissions to our stakeholders. This included a renewable electricity commitment that recognises the importance of electrification to advancing our decarbonisation roadmap and accelerating our carbon neutral target from 2042 to 2030. We believe these new targets better reflect the importance of climate action in pursuit of our purpose.

This year, Sims Limited achieved its short-term FY25 emissions reduction goal ahead of schedule with a 32% reduction of emissions compared to FY20 levels. We have also made substantial strides toward our goal to use 100% renewable electricity including matching electricity consumed in the United Kingdom with REGO certificates (at sites where Sims Limited UK procures the electricity). Globally, more than 110 Sims Limited sites now use renewable electricity, including those in the United States, Canada, New Zealand, the United Kingdom, Ireland, the Netherlands, Germany and Australia (Kwinana). Sims Limited's long-term goal is to be net zero by 2050.

Sims Limited regularly monitors progress towards targets internally. These results are shared with the executive leadership team and Board on a biannual basis. Operational emissions, energy and water consumption data is available on an internal dashboard available to all staff, updated monthly. Progress is also published externally in our annual sustainability report. Sims Limited also monitors and discloses water consumption (including consumption in water stressed areas), waste generation, and relevant Scope 3 emissions. These disclosures can be found in Sims Limited's FY23 sustainability suite.

Sims Limited's targets relate to Scope 1 and 2 emissions for operated businesses (market-based emissions), in reference to our FY20 baseline year. Target achievement is measured and reported as an aggregate at the Sims Limited level. All regions and businesses are expected to contribute towards emissions reductions targets by implementing the climate action plan described in Sims Limited's Climate Report.

Target	KPI	FY20 baseline	FY23 result	Links to CFD risks
Reduce emissions 23% by 2025	Absolute scope 1 + 2 emissions per year (tonnes), market-based	147,909 tCO <sub>2</sub> e	101,211 tCo <sub>2</sub> e 32% reduction	All
Use 100% renewable electricity by 2025	% electricity consumed supplied from renewable sources	0%	84%	All
SLS become carbon neutral by 2025	Absolute scope 1 + 2 emissions per year (tonnes), market-based	7,224 t CO <sub>2</sub> e	3,938 tCO <sub>2</sub> e 45% reduction	All
Carbon neutral by 2030	Absolute scope 1 + 2 emissions per year (tonnes), market-based	147,909 tCO <sub>2</sub> e	101,211 tCo <sub>2</sub> e 32% reduction	All
Achieve net-zero Co <sub>2</sub> e emissions by 2050	Absolute scope 1 + 2 emissions per year (tonnes), market-based	147,909 tCO <sub>2</sub> e	101,211 tCo <sub>2</sub> e 32% reduction	All

## **SIMS GROUP UK LIMITED**

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

**FOR THE YEAR ENDED 30 JUNE 2023**

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Sims Limited's targets distinguish between achieving carbon neutrality (2030) and net-zero CO<sub>2</sub> e emissions (2050). Sims Limited considers "net zero" (2050) to be the point at which emissions are reduced by at least 90% compared with the company's baseline year with residual emissions offset. We believe that pursuing carbon neutrality (where emissions are balanced with carbon offsets) in the medium term appropriately aligns with our purpose and commitment to SDG 13: Climate Action. Sims Limited has not used carbon offsets to date, prioritising emissions reduction activities. Sims Limited's approach to offsetting, and plan to reduce emissions, is outlined in the FY23 Climate Report.

Sims Limited's targets for Scope 1 and 2 emissions were developed following the Science-Based Targets Initiative (SBTi) cross-sector absolute reduction methodology for near-term targets. This methodology (also referred to as the absolute contraction approach) specifies that all companies reduce their absolute emissions at the same rate relative to the baseline year, irrespective of initial emissions performance. For Scope 1 and 2 targets set with a base year of 2020 or earlier, aligned to a 1.5°C scenario, the absolute reduction approach prescribes a 4.2% minimum linear annual rate of reduction. From this approach, Sims Limited derived the existing 23% absolute reduction by 2025 target.

Based on Sims Limited's analysis, the emissions reductions associated with the short-, medium- and long-term targets for Scope 1 and 2 emissions fall within the range of emissions reductions required to be considered aligned with a 1.5°C scenario and the goals of the Paris Agreement. This year, Apex Group Ltd. has reviewed the methodology and targets and provided an opinion that Sims Limited's Scope 1 and 2 targets are aligned with a 1.5°C pathway. This statement can be found at the end of the FY23 Climate Report.

As Scope 3 emissions are more than 90% of Sims Limited's total inventory, any target that is formally endorsed by the SBTi must include a Scope 3 emissions reduction target that covers at least 67% of Scope 3 emissions. As more than 80% of Sims Limited's Scope 3 emissions come from the processing of sold scrap product during secondary metalmaking, these emissions would have to be included in a Scope 3 target. Sims Limited has continued to refine our approach to Scope 3 measurement based on the release of the SBTi steel pathway during the reporting period, described in the FY23 Climate Report, and intend to continue engagement with SBTi during FY24.

The compensation of Sims Limited's CEO includes an annual performance-based long-term incentive (LTI) equal to 200% of base at maximum vesting. From FY23 onward, a weighting of 10% of the LTI is tied to the achievement of the company's 2025 goals to reduce absolute emissions by 23% from the FY20 baseline and to achieve 100% renewable electricity. Full details of the CEO's compensation are available in the Remuneration Report, within the FY23 Sims Limited Annual Report.

# SIMS GROUP UK LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 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:

	2023	2022
<i>Revenue from continuing operations (£million)</i>	819	899
<i>EBITDA* before restructuring result from continuing operations (£million)</i>	3	42
<i>Operating (loss)/profit before restructuring result from continuing operations (£million)</i>	(15)	27
<i>Operating (loss)/profit before restructuring result as a percentage of turnover from continuing operations (%)</i>	-2%	3%
<i>- Depreciation</i>	16	15
<i>- Restructuring income/ (costs)</i>	-	-
<i>Lost time injuries frequency rate (LTIFR) for employee and agency workers, defined as accidents per 200,000 hours worked</i>	0.41	0.59

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

EBITDA Calculation	£million	£million
Operating (loss)/ profit	(15)	27
Depreciation	16	15
<b>EBITDA</b>	<b>1</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. Revenue has fallen by 9% year on year due to a reduction in sales volumes due to global demand. These challenging market conditions have led to the inability to maintain margins. Despite the distribution costs reducing in line with volumes, the additional administrative cost pressures have caused a £41m reduction in EBITDA and caused an overall operating loss for FY23.

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 2023**

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#### **Future developments**

Despite the short-term challenges created by the market environment, the Company continues to invest in the upgrading of its sites, facilities and technologies. The Company will look to widen margins through commercial initiatives, and offset inflationary cost pressures through national procurement opportunities. 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:  
  
E5C78B0281CB4AC...  
Mrs K J Lee  
Director

# **SIMS GROUP UK LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2023**

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The directors present their annual report and financial statements for the year ended 30 June 2023 (FY23).

#### **Results and dividends**

During the year the Company earned a net loss of £21,837,000 (2022: net profit of £25,012,000)

No ordinary dividends were paid (2022: nil) or preference dividends were paid (2022: 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 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 of Sims Group UK Limited.

#### **Political donations**

There were no political donations made during the year (2022: £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 2023 were 52 days (2022: 23 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. During the financial year, the Company spent £336,000 on research and development activities (2022: £158,000). 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 2023**

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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 had net current liabilities of £3,270,000 (2022: net current assets of £24,910,000). Overall, the Company is in a net asset position of £117,796,000 (2022: £141,860,000). 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 Company reported a statutory loss of £21,837,000 in the full year to 30 June 2023 (2022: profit of £25,012,000). Following the commodity prices and scrap metal demand falling away in the latter stages of the 2023 financial year, the start of the financial year 2024 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 GROUP UK LIMITED**

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

**FOR THE YEAR ENDED 30 JUNE 2023**

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On 22 November 2023, Sims Limited announced a full strategic review of the Company to encompass several value creation opportunities, including strategic partnerships, co-investment, and potential divestment transaction structures. An information pack was provided to interested parties, following which a number of non-binding proposals were received, which included a mixture of offers to acquire part or all of the Company, or enter into an operating partnership. The next steps will be to review these further to determine the best outcome under the Strategic Review. This outcome will require approval of the Board of the holding company, Sims Limited, to proceed.

Similar to previous years Sims Limited has provided an letter of support to the Company. Despite the undergoing strategic review, 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 have committed to provide this support to the earlier of 12 months from the date of signing of the 30 June 2023 financial statements, or the date of any change in ownership of the company (should this occur as part of the strategic review).

The directors believe that in the event of sale, the Company will be supported by the new owners. In the event that the business is not sold then the Company will continue to trade with the ongoing support of Sims Limited. 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.

#### **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 in the prior year, which have now subsided. 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.

#### **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 1-20.

## SIMS GROUP UK LIMITED

### DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

#### Energy and carbon report

The location-based total greenhouse gas emissions for Sims Group UK Ltd for 2022-23 were 20,868 tonnes CO<sub>2</sub> equivalent (tCO<sub>2</sub>e). This is an increase of 11% when compared to 2021-22 (19,676 tCO<sub>2</sub>e).

The market-based total greenhouse gas emissions for 2022-23 was 13,847 tonnes of carbon dioxide (tCO<sub>2</sub>e). This is an increase of 9% when compared to 2021-2022 (14,137 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 2022-23 is 16.08 tCO<sub>2</sub>e per fm of revenue. This is an increase of 13% compared to 2021-22 (14.83 tCO<sub>2</sub>e per fm). The equivalent market-based intensity ratio is 10.67 tCO<sub>2</sub>e per fm of revenue. This is an increase of 11% compared to 2021-22 (10.70 tCO<sub>2</sub>e per fm).

#### Greenhouse gas emissions by source

The emissions for Sims Group UK Ltd by source for the periods 2021/2022 and 2022/2023 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>2021/22</i>	<i>2022/23</i>	<i>Share %</i>	<i>YoY</i>
<i>Purchased Electricity</i>	6,791	7,697	37%	13%
<i>Fuel combustion: gas</i>	226	99	0%	-56%
<i>Fuel combustion: Transport and stationary plant</i>	11,844	13,060	63%	10%
<i>Water Supply &amp; Treatment</i>	91	13	0%	-86%
<b><i>Total emissions (tCO<sub>2</sub>e)</i></b>	<b>19,676</b>	<b>20,868</b>	<b>100%</b>	<b>6%</b>
<i>Revenue, including interbranch sales £</i>	1,326,742,609	1,298,078,276		-2%
<i>Intensity: (tCO<sub>2</sub>e per £m)</i>	14.83	16.08		8.4%

**Table 2 - Greenhouse gas emissions (tonnes CO<sub>2</sub>e) 2021/22 - Market based**

<i>Emissions source (tCO<sub>2</sub>e)</i>	<i>2021/22</i>	<i>2022/23</i>	<i>Share %</i>	<i>YoY</i>
<i>Purchased Electricity</i>	649	676	5%	4%
<i>Fuel combustion: gas</i>	226	99	1%	-56%
<i>Fuel combustion: Transport and stationary plant</i>	11,844	13,060	94%	10%
<i>Water Supply &amp; Treatment</i>	9	13	0%	44%
<b><i>Total emissions (tCO<sub>2</sub>e)</i></b>	<b>14,137</b>	<b>13,847</b>	<b>100%</b>	<b>2%</b>
<i>Revenue, including interbranch sales £</i>	1,326,742,609	1,298,078,276		-2%
<i>Intensity: (tCO<sub>2</sub>e per £m)</i>	10.70	10.67		0%

# SIMS GROUP UK LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

(1) The 2022-23 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.

### Greenhouse gas emissions by scope

The emissions for Sims Group UK Ltd by scope for the periods 2021/2022 and 2022/2023 are detailed in the tables below.

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

<i>Emissions source</i>	<i>2021/22</i>	<i>2022/23</i>	<i>Share %</i>	<i>YoY</i>
Scope 1	12,039	13,140	63%	9%
Scope 2	6,960	7,084	34%	2%
Scope 3	677	644	3%	-5%
<b>Total emissions (tCO2e)</b>	<b>19,676</b>	<b>20,868</b>	<b>100%</b>	<b>6%</b>

Scope 1: Natural gas, petrol and diesel associated with company-operated vehicles. Scope 2: Electricity. Scope 3: Losses from electricity distribution and transmission; Employee-owned vehicles; Water Supply & Treatment. This only includes emissions reportable under SECR and may not reflect the entire carbon footprint of the organisation.

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

<i>Emissions source</i>	<i>2021/22</i>	<i>2022/23</i>	<i>Share %</i>	<i>YoY</i>
Scope 1	12,039	13,140	95%	9%
Scope 2	1,421	63	0%	-96%
Scope 3	677	644	5%	-5%
<b>Total emissions (tCO2e)</b>	<b>14,137</b>	<b>13,847</b>	<b>100%</b>	<b>-2%</b>

Scope 1: Natural gas, petrol and diesel associated with company-operated vehicles. Scope 2: Electricity. Scope 3: Losses from electricity distribution and transmission; Employee-owned vehicles; Water Supply & Treatment. This only includes emissions reportable under SECR and may not reflect the entire carbon footprint of the organisation.

## SIMS GROUP UK LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

#### Energy consumption

Table 5 - Energy consumption (kWh)

<i>Energy consumption (kWh)</i>	<i>2021/22</i>	<i>2022/23</i>	<i>Share %</i>	<i>YoY</i>
<i>Purchased Electricity</i>	<i>35,993,438</i>	<i>34,211,562</i>	<i>38%</i>	<i>-5%</i>
<i>Fuel combustion: gas</i>	<i>1,239,238</i>	<i>539,625</i>	<i>1%</i>	<i>-56%</i>
<i>Fuel combustion: Transport and Stationary Plant</i>	<i>47,572,694</i>	<i>54,709,817</i>	<i>61%</i>	<i>15%</i>
<i>Total energy consumption (kWh)</i>	<i>84,805,370</i>	<i>89,461,003</i>	<i>100%</i>	<i>5%</i>

<i>Water consumption (Cubic metres)</i>	<i>2021/22</i>	<i>2022/23</i>	<i>YoY</i>
<i>Water Consumption (m3)</i>	<i>21,845</i>	<i>33,626</i>	<i>54%</i>

#### 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 0.15% of the market-based emissions and 0.08% of the location-based emissions.

Emissions have been calculated using the 2023 conversion factors provided by Department of Business, Energy & Industrial Strategy.

The reporting period is July 2022 to June 2023, as per the financial accounts. Residual emissions factors used in market-based reporting are from Association of Issuing Bodies, 2022.

## **SIMS GROUP UK LIMITED**

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

**FOR THE YEAR ENDED 30 JUNE 2023**

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#### **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.

Sims Group UK Ltd are investigating opportunities to convert from diesel to electrical powered equipment and have invested in an electrical powered shear and scrap handler to operate in tandem.

#### **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.

#### **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**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**FOR THE YEAR ENDED 30 JUNE 2023**

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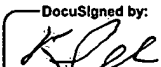
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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:  
  
E5C7B80261CB4AC...

Mrs K J Lee

Director

21 March 2024

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 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 31.

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 statement of directors' responsibilities, 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 and the directors, about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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:
  - obtain understanding 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 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 existence of inventory in place at the entity;
  - performance of stock counts to substantiate existence of inventory.

## **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, internal auditors, 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.

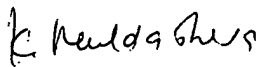
## **SIMS GROUP UK LIMITED**

### **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.



**Karina Muldasheva**  
**(Senior Statutory Auditor)**  
**For and on behalf of Deloitte LLP**  
**Statutory Auditor**  
**Birmingham, United Kingdom**

**Date 21 March 2024**

# SIMS GROUP UK LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 £'000	2022 £'000
Turnover	4	818,525	898,757
Cost of sales		(715,870)	(745,962)
<b>Gross profit</b>		102,655	152,795
Distribution costs		(59,853)	(69,270)
Administrative expenses		(58,196)	(57,354)
Other operating income		586	714
<b>Operating (loss)/profit</b>	6	(14,808)	26,885
Interest receivable and similar income	10	947	611
Interest payable and similar expenses	11	(6,022)	(2,070)
Impairment of investments	12	(1,277)	(1)
<b>(Loss)/profit before taxation</b>		(21,160)	25,425
Tax on (loss)/profit	13	(677)	(413)
<b>(Loss)/profit for the financial year</b>	28	(21,837)	25,012

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 2023

	2023 £'000	2022 £'000
(Loss)/profit for the year	(21,837)	25,012
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Actuarial loss on defined benefit pension schemes	(2,970)	(813)
Tax on actuarial loss	743	203
Total items that will not be reclassified to profit or loss	(2,227)	(610)
Total comprehensive (loss)/ income for the year	(24,064)	24,402

# SIMS GROUP UK LIMITED

## BALANCE SHEET

AS AT 30 JUNE 2023

	Notes	2023 £'000	£'000	2022 £'000	£'000
<b>Fixed assets</b>					
Tangible fixed assets	16		103,385		96,470
Investments	17		46,334		47,610
			<u>149,719</u>		<u>144,080</u>
<b>Defined benefit pension surplus</b>	26		599		3,441
<b>Current assets</b>					
Stock	19	76,960		94,988	
Debtors	20	130,774		77,360	
Cash at bank and in hand		212		447	
		<u>207,946</u>		<u>172,795</u>	
<b>Creditors: amounts falling due within one year</b>	21	(211,216)		(147,885)	
<b>Net current (liabilities)/assets</b>			<u>(3,270)</u>		<u>24,910</u>
<b>Total assets less current liabilities</b>			147,048		172,431
<b>Creditors: amounts falling due after more than one year</b>	21		(25,446)		(23,407)
<b>Provisions for liabilities</b>					
Other provisions	25		(3,806)		(7,164)
<b>Net assets</b>			<u>117,796</u>		<u>141,860</u>

# SIMS GROUP UK LIMITED

## BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2023

	Notes	2023 £'000	2022 £'000	2022 £'000
Called up share capital	27	50,000	50,000	
Profit and loss reserves	28	67,796	91,860	
<b>Total equity</b>		<b>117,796</b>	<b>141,860</b>	

The financial statements were approved by the board of directors and authorised for issue on 21 March 2024 and are signed on its behalf by:

DocuSigned by:  
  
 E5C7BB0261CB4AC...

Mrs K J Lee  
 Director

Company registration number 03242331



# SIMS GROUP UK LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Share capital £'000	Profit and loss reserves £'000	Total £'000
<b>Balance at 1 July 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 gain 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
<b>Year ended 30 June 2023:</b>			
Loss for the year	-	(21,837)	(21,837)
Other comprehensive income:			
Actuarial loss on defined benefit plans	-	(2,970)	(2,970)
Tax relating to other comprehensive income	-	743	743
<b>Total comprehensive (loss)/ income for the year</b>	-	(24,064)	(24,064)
<b>Balance at 30 June 2023</b>	50,000	67,796	117,796

# **SIMS GROUP UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2023**

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### **1 Accounting policies**

#### **Company information**

Sims Group UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is Long Marston, Stratford-upon-Avon, Warwickshire, 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 pounds 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 2023

---

### 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 2023

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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 2023

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### 1 Accounting policies

(Continued)

#### 1.2 Going concern

The Company had net current liabilities of £3,270,000 (2022: net current assets of £24,910,000). Overall, the Company is in a net asset position of £117,796,000 (2022: £141,860,000). 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 Company reported a statutory loss of £21,837,000 in the full year to 30 June 2023 (2022: profit of £25,012,000). Following the commodity prices and scrap metal demand falling away in the latter stages of the 2023 financial year, the start of the financial year 2024 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:

On 22 November 2023, Sims Limited announced a full strategic review of the Company to encompass several value creation opportunities, including strategic partnerships, co-investment, and potential divestment transaction structures. An information pack was provided to interested parties, following which a number of non-binding proposals were received, which included a mixture of offers to acquire part or all of the Company, or enter into an operating partnership. The next steps will be to review these further to determine the best outcome under the Strategic Review. This outcome will require approval of the Board of the holding company, Sims Limited, to proceed.

Similar to previous years Sims Limited has provided an letter of support to the Company. Despite the undergoing strategic review, 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 have committed to provide this support to the earlier of 12 months from the date of signing of the 30 June 2023 financial statements, or the date of any change in ownership of the company (should this occur as part of the strategic review).

The directors believe that in the event of sale, the Company will be supported by the new owners. In the event that the business is not sold then the Company will continue to trade with the ongoing support of Sims Limited. 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 2023**

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### **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 2023

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### 1 Accounting policies

(Continued)

#### **Exceptional income or costs**

Exceptional items are those by which their size and nature, incidence or variability from one period to the next are relevant in explaining the financial performance of the Company and as such are disclosed separately.

#### **Other income**

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

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

Interest receivable and other income is recognised in the profit and loss account using the effective interest method.

### 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.

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.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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### 1 Accounting policies

(Continued)

#### 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, plant and equipment right-of-use assets	Over the right-of-use period

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 Interest payable and similar expenses

Finance costs are charged to the profit and loss account 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.



# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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### 1 Accounting policies

(Continued)

#### 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.

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 14 of these financial statements.

#### 1.9 Stocks

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

##### 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.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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### 1 Accounting policies

(Continued)

#### 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.

#### 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.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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### 1 Accounting policies

(Continued)

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

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

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

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

#### ***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'.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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### 1 Accounting policies

(Continued)

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

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

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

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

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

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

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

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

### 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.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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### 1 Accounting policies

(Continued)

#### 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.

##### **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.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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### 1 Accounting policies

(Continued)

#### *Deferred tax*

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the 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.

#### **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.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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### 1 Accounting policies

(Continued)

#### 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.

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 2023

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### 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 \$12.18 (2022: \$17.51) 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 2023

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### 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.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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### 1 Accounting policies

(Continued)

#### 1.21 Foreign exchange

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account 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 profit and loss account *within interest payable and similar expenses*. All other foreign exchange gains and losses are presented in the profit and loss account within 'other operating income'.

#### 1.22 Unclaimed monies

After 12 months, where scrap and haulage tickets or purchase orders are raised, for which invoices have not been received, these will be credited to the profit and loss account against the relevant cost category, being either cost of goods sold, distribution costs or administration expenses.

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

The following have been applied for the first time from 1 July 2022 and did not have a material effect on the financial statements:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes
- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17) (issued on 9 December 2021)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

## SIMS GROUP UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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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.

###### *Measurement of quantities 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 £384k (2022: 1,327k).

## SIMS GROUP UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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#### 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 £373k (2022: £1,655k) 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 26.

##### *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 0.73% (2022: 0.63%) of trade tickets and orders raised were not claimed, which gave rise to a £4,873k benefit in the current financial year (2022: £4,574k). 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 result for the year of up to £1,558k or an increase of up to £3,415k.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 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

	2023 £'000	2022 £'000
<b>Turnover analysed by class of business</b>		
Metals recycling	797,418	878,368
Recycling solutions	21,107	20,389
	<u>818,525</u>	<u>898,757</u>
	2023 £'000	2022 £'000
<b>Turnover analysed by geographical market</b>		
United Kingdom	107,760	120,341
Rest of the world	710,765	778,416
	<u>818,525</u>	<u>898,757</u>

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 5 Other operating income

	2023	2022
	£'000	£'000
Sundry income	586	714
	<u>586</u>	<u>714</u>

### 6 Operating (loss)/profit

	2023	2022
	£'000	£'000
Operating (loss)/profit for the year is stated after charging/(crediting):		
Net exchange losses	6,114	1,582
Research and development costs	336	158
Depreciation of property, plant and equipment	15,556	14,595
Profit on disposal of tangible fixed assets	(162)	(1,380)
Loss/(profit) on disposal of fixed asset investments	1,277	1
Cost of inventories recognised as an expense	643,400	651,441
Expense relating to short-term leases	1,707	1,128
Share-based payments	675	725
Impairment (per note 15)	(182)	1,195
	<u></u>	<u></u>

### 7 Auditor's remuneration

	2023	2022
	£'000	£'000
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	<u>237</u>	<u>199</u>

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

Amounts paid in relation to other group companies, and included in the above, were £8,400 (2022: £13,200).

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 8 Employees

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

	2023 Number	2022 Number
Production	506	434
Selling and administration	84	101
Management	160	139
Total	750	674

Their aggregate remuneration comprised:

	2023 £'000	2022 £'000
Wages and salaries	29,497	26,392
Social security costs	3,686	2,904
Pension costs	3,112	2,475
	36,295	31,771

Redundancy payments in the year amount to £nil (2022: £nil).

Share-based payments in the year amount to £675,000 (2022: £725,000).

### 9 Directors' remuneration

	2023 £'000	2022 £'000
Remuneration for qualifying services	1,231	1,069
Amounts receivable under long term incentive schemes	168	390
Company pension contributions to defined contribution schemes	39	36
	1,438	1,495

The number of directors during the year was 4 (2022:3). The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2022: 3).

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 9 Directors' remuneration

(Continued)

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

	2023	2022
	£'000	£'000
Remuneration for qualifying services	728	635
Long term incentive schemes	100	271
Company pension contributions to defined contribution schemes	11	11
Accrued pension at the end of the year	2	2
	<u>741</u>	<u>919</u>

### 10 Interest receivable and similar income

	2023	2022
	£'000	£'000
<b>Interest income</b>		
Interest on the net defined benefit asset	909	611
Interest receivable from group companies	21	-
Other interest income	17	-
	<u>947</u>	<u>611</u>

### 11 Interest payable and similar expenses

	2023	2022
	£'000	£'000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	85	356
Interest payable to group undertakings	4,209	-
Interest on lease liabilities	945	709
Interest on other loans	2	473
	<u>5,241</u>	<u>1,538</u>
<b>Interest on other financial liabilities:</b>		
Net interest on the net defined benefit liability	781	532
	<u>6,022</u>	<u>2,070</u>



# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 12 Impairment of investments

	2023 £'000	2022 £'000
Impairment of investments	(1,277)	(1)

### 13 Taxation

	2023 £'000	2022 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	641
Adjustments in respect of prior periods	(66)	(431)
<b>Total UK current tax</b>	(66)	210
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(2,233)	2,429
Changes in tax rates	(490)	767
Benefit arising from a previously unrecognised tax loss, tax credit or temporary difference	(1,064)	(3,786)
Adjustment in respect of prior periods	4,530	793
	743	203
<b>Total tax charge</b>	677	413

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 13 Taxation

(Continued)

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

	2023 £'000	2022 £'000
(Loss)/profit before taxation	(21,160)	25,425
Expected tax (credit)/charge based on a corporation tax rate of 20.50% (2022: 19.00%)	(4,338)	4,831
Effect of expenses not deductible in determining taxable profit	1,021	(291)
Income not taxable	(181)	72
Adjustment in respect of prior years	(66)	(431)
Effect of change in UK corporation tax rate	(490)	767
Deferred tax adjustments in respect of prior years	(1,064)	793
Deferred tax asset not recognised	1,265	(1,542)
Recognise provision against deferred tax asset and liability	4,530	(3,786)
<b>Taxation charge for the year</b>	<b>677</b>	<b>413</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:

	2023 £'000	2022 £'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	(743)	(203)

## SIMS GROUP UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

#### 13 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 £121,928,254 (2022: £119,541,000).

Group relief is surrendered to fellow subsidiaries registered within the UK free of charge. In the current financial year, nil (2022: £249,000) 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 20.5% (2022: 19%).

Finance No. 2 Bill 2015 enacted the rate of corporation tax to 19% with effect from 1 April 2017.

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% from 1 April 2023. The resulting current tax rate for the year has been calculated at 20.5%.

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date and therefore all deferred tax assets and liabilities have been measured at 25% being the rate enacted at the balance sheet date.

#### 14 Impairments

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

	2023 £'000	2022 £'000
In respect of:		
Property, plant and equipment	-	455
Fixed asset investments	1,277	822
Leases	(182)	(82)
	<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.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 15 Intangible fixed assets

	Goodwill £'000
<b>Cost</b>	
At 1 July 2022	24,248
	<hr/>
At 30 June 2023	24,248
	<hr/>
<b>Amortisation and impairment</b>	
At 1 July 2022	24,248
	<hr/>
At 30 June 2023	24,248
	<hr/>
<b>Carrying amount</b>	
At 30 June 2023	-
	<hr/> <hr/>
At 30 June 2022	-
	<hr/> <hr/>

**SIMS GROUP UK LIMITED**

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

**FOR THE YEAR ENDED 30 JUNE 2023**

**16 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, plant and equipment right-of-use assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At 30 June 2022	24,868	28,528	8,124	136,209	14,821	26,093	238,643
Additions	1,305	2,625	288	11,483	5,450	2,820	23,971
Disposals	(156)	(1,326)	-	(8,920)	(661)	(342)	(11,405)
Impairment	-	-	-	-	-	182	182
Reclassification	-	-	(2,119)	-	-	7,732	5,613
Transfers	21	563	(50)	(535)	-	-	(1)
At 30 June 2023	26,038	30,390	6,243	138,237	19,610	36,485	257,003
<b>Accumulated depreciation and impairment</b>							
At 30 June 2022	5,829	16,689	-	104,384	7,446	7,825	142,173
Charge for the year	714	1,723	-	7,975	3,412	1,732	15,556
Reclassification	-	-	-	-	(65)	7,093	7,028
Disposals	(55)	(1,310)	-	(8,801)	(630)	(342)	(11,138)
Transfers	3	(3)	-	(1)	-	-	(1)
At 30 June 2023	6,491	17,099	-	103,557	10,163	16,308	153,618

**SIMS GROUP UK LIMITED**

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

**FOR THE YEAR ENDED 30 JUNE 2023**

**16 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, plant and equipment right-of-use assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carrying amount</b>							
At 30 June 2023	19,547	13,291	6,243	34,680	9,447	20,177	103,385
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 June 2022	19,039	11,839	8,124	31,825	7,375	18,268	96,470
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 16 Tangible fixed assets (Continued)

More information on impairment movements in the year is given in note 14.

### 17 Investments

	Current		Non-current	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Investments in subsidiaries	-	-	46,334	47,610

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 setup of three new companies, namely Sims Recycling Solutions LTDA, Sims Lifecycle Services S.A de C.V, and Baifia sp Zoo resulted in an increase of investments of £6,000.

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

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 17 Investments (Continued)

#### Movements in fixed asset investments

	Shares in subsidiaries £'000
<b>Cost or valuation</b>	
At 1 July 2022	95,487
Additions	1
	<u>          </u>
At 30 June 2023	95,488
	<u>          </u>
<b>Impairment</b>	
At 1 July 2022	(47,877)
Impairment losses	(1,277)
	<u>          </u>
At 30 June 2023	(49,154)
	<u>          </u>
<b>Carrying amount</b>	
At 30 June 2023	46,334
	<u>          </u>
At 30 June 2022	47,610
	<u>          </u>

Sims Recycling Solutions Sp. z.o.o was held for sale as at 30 June 2023. The investment in this company had been fully impaired to £nil in previous financial years. The carrying value was nil at 30 June 2023.



# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 18 Subsidiaries

Details of the company's subsidiaries at 30 June 2023 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
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
Balfia sp. Z o o	Pl. Pilsudskiego 1, 00-078 Warszawa, Poland	Electronic Scrap Recycling	100.00

(\*) = Indirectly owned

All shareholdings relate to ordinary shares.

Sims Recycling Solutions Sp z o o was held for sale at 30 June 2023 and subsequently sold on 10 July 2023 for 1 Euro.

### 19 Stocks

	2023 £'000	2022 £'000
Raw materials	19,718	16,928
Work in progress	56	64
Finished goods	57,186	77,996
	<u>76,960</u>	<u>94,988</u>

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 19 Stocks

(Continued)

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

### 20 Debtors

	2023 £'000	2022 £'000
Trade debtors	106,513	47,002
VAT recoverable	16,381	8,835
Amount owed by parent undertaking	114	111
Amounts owed by fellow group undertakings	989	14,305
Finance lease receivables	-	787
Derivative financial instruments	755	-
Other debtors	1,104	1,049
Prepayments and accrued income	4,918	5,271
	<u>130,774</u>	<u>77,360</u>

### 21 Creditors

	Notes	Due within one year		Due after one year	
		2023 £'000	2022 £'000	2023 £'000	2022 £'000
Creditors	22	204,485	138,028	-	-
Taxation and social security		1,207	1,936	-	-
Derivative financial instruments		-	2,111	-	-
Lease liabilities	23	5,524	5,810	25,446	23,407
		<u>211,216</u>	<u>147,885</u>	<u>25,446</u>	<u>23,407</u>

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 22 Creditors

	2023 £'000	2022 £'000
Trade creditors	70,345	75,337
Amounts owed to subsidiary undertakings	34,489	34,566
Amounts owed to fellow group undertakings	89,493	15,459
Accruals and deferred income	8,832	8,034
Other creditors	1,326	4,632
	<u>204,485</u>	<u>138,028</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.

### 23 Lease liabilities

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

	2023 £'000	2022 £'000
<b>Maturity analysis</b>		
Within one year	5,954	6,494
In more than one year to five years	17,787	12,907
In over five years	11,649	12,643
	<u>35,390</u>	<u>32,044</u>
<b>Total undiscounted liabilities</b>	35,390	32,044
Future finance charges and other adjustments	(4,420)	(2,827)
	<u>30,970</u>	<u>29,217</u>
<b>Lease liabilities in the financial statements</b>	30,970	29,217

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 23 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:

	2023 £'000	2022 £'000
Current liabilities	5,524	5,810
Non-current liabilities	25,446	23,407
	<u>30,970</u>	<u>29,217</u>
	2023 £'000	2022 £'000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	<u>945</u>	<u>709</u>

During the year the company incurred expenses of £3,401,000 (2022: £1,128,000) 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 £10,587,000 (2022: £9,056,000). All leases pertain to property and equipment.

Other leasing information is included in note 16.

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 24 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 2021	(1,631)	1,934	(303)	-
<b>Deferred tax movements in prior year</b>				
Charge/(credit) to profit or loss	379	6	(182)	203
Charge/(credit) to other comprehensive income	-	(203)	-	(203)
Liability at 1 July 2022	(1,252)	1,737	(485)	-
<b>Deferred tax movements in current year</b>				
Charge/(credit) to profit or loss	902	33	(192)	743
Charge/(credit) to other comprehensive income	-	(743)	-	(743)
Liability at 30 June 2023	-	-	-	-
Asset at 30 June 2023	(350)	1,027	(677)	-

A deferred tax asset of £29,972,000 (2022: £29,863,000) has not been recognised in relation to prior operating loss carry forward, totalling £121,928,000 (2022: £119,451,000).

### 25 Provisions for liabilities

	2023 £'000	2022 £'000
Dilapidations	3,221	6,088
Onerous Contracts	585	1,076
	<u>3,806</u>	<u>7,164</u>

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 25 Provisions for liabilities (Continued)

Movements on provisions:	Dilapidations	Onerous Contracts	Holiday Pay	Total
	£'000	£'000	£'000	£'000
At 1 July 2022	6,088	1,076	-	7,164
Additional provisions in the year	1,627	(533)	19	1,113
Prior year current liabilities	1,263	1,882	86	3,231
Utilisation of provision	-	(1,468)	(86)	(1,554)
Reclassification	(5,758)	(371)	(19)	(6,148)
At 30 June 2023	3,220	586	-	3,806

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% (2022: 1.11%).

Holiday pay is now settled within 12 months. The remaining provision has not been discounted as the impact would be immaterial.

### 26 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 £3,073,091 (2022: £2,439,086). Contributions totalling £302,940 (2022: £234,882) 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 2023

### 26 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% (2022 - 0%) of payroll (of which an average of 0% (2022 - 0%) is expected to be paid by members) plus additional contributions of £nil (2022 - £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 2023 by a qualified independent actuary.

	2023	2022
	%	%
<i>Key assumptions</i>		
Discount rate	5.30	3.70
Rate of inflation (RPI)	3.15	3.05
Rate of inflation (CPI)	2.35	2.45
RPI max 5%	3.05	3.00
RPI max 3%	2.45	2.40
	=====	=====
<i>Mortality assumptions</i>	2023	2022
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	21.1	21.1
- Females	23.4	23.6
	=====	=====
Retiring in 20 years		
- Males	22.4	22.4
- Females	24.9	25.1
	=====	=====

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 26 Retirement benefit schemes (Continued)

	2023	2022
	£'000	£'000
<i>Amounts recognised in the profit and loss account</i>		
Net interest on defined benefit asset	128	79
Other losses	-	(57)
	<u>128</u>	<u>22</u>
Total income	<u>128</u>	<u>22</u>

	2023	2022
	£'000	£'000
<i>Amounts recognised in other comprehensive income</i>		
Actuarial changes arising from changes in demographic assumptions	(96)	-
Actuarial changes arising from changes in financial assumptions	(3,980)	(5,979)
Actuarial changes arising from experience adjustments	1,209	(452)
Actuarial changes related to plan assets	5,837	7,244
	<u>2,970</u>	<u>813</u>
Total (income)/expense	<u>2,970</u>	<u>813</u>

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

	2023	2022
	£'000	£'000
Present value of defined benefit obligations	(18,564)	(21,546)
Fair value of plan assets	19,163	24,987
	<u>599</u>	<u>3,441</u>
Surplus in scheme	<u>599</u>	<u>3,441</u>



# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 26 Retirement benefit schemes (Continued)

	2023	2022
	£'000	£'000
<i>Movements in the present value of defined benefit obligations</i>		
At 1 July 2022	21,546	28,516
Current service cost	-	-
Benefits paid	(896)	(1,071)
Actuarial gains and losses experience, demographic and financial	(2,867)	(6,431)
Interest cost	781	532
	<u>18,564</u>	<u>21,546</u>
At 30 June 2023	<u>18,564</u>	<u>21,546</u>

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

	2023	2022
	£'000	£'000
<i>Movements in the fair value of plan assets:</i>		
At 1 July 2022	24,987	32,748
Interest income	909	611
Return on plan assets (excluding amounts included in net interest)	(5,837)	(7,244)
Benefits paid	(896)	(1,071)
Other	-	(57)
	<u>19,163</u>	<u>24,987</u>
At 30 June 2023	<u>19,163</u>	<u>24,987</u>

The actual return on plan assets was £4,928,000 (2022 - £6,633,000).

# SIMS GROUP UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 26 Retirement benefit schemes

(Continued)

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

The results are sensitive both to actuarial assumptions used and to market conditions. The results are dependent on the assumptions chosen by the Directors. Scheme obligations would have been affected by changes in assumptions as follows:

		2023	2022
		%	%
Discount rate +/- 0.1% pa	- increase	1.2	1.4%
	- decrease	1.1	1.3%
Price Inflation +/- 0.1% pa	- increase	0.4	0.7%
	- decrease	0.8	0.9%
Assume members are 1 year younger for life - increase expectancy		3.5	3.9%

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

	2023	2022
	£'000	£'000
Corporate Bonds	-	1,218
Cash	3,390	657
Multi-Sector Credit	-	7,972
Secure Income	4,864	3,328
Buy and Maintain Credit	5,654	6,454
LDI	5,270	5,560
Net Current Assets	(15)	(202)
	19,163	24,987

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

## SIMS GROUP UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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#### 26 Retirement benefit schemes

(Continued)

##### 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 2023

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#### 26 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.

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 2023

### 26 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.

### 27 Called up share capital

	2023	2022	2023	2022
	Number	Number	£'000	£'000
<b>Ordinary share capital</b>				
<b>Authorised, issued and fully paid</b>				
Ordinary of £1 each of £1 each	50,000,000	50,000,000	50,000	50,000

### 28 Profit and loss reserves

	2023	2022
	£'000	£'000
At the beginning of the year	91,860	67,458
(Loss)/profit for the year	(21,837)	25,012
Actuarial differences recognised in other comprehensive income	(2,970)	(813)
Tax on actuarial differences	743	203
At the end of the year	67,796	91,860

### 29 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.

## **SIMS GROUP UK LIMITED**

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

***FOR THE YEAR ENDED 30 JUNE 2023***

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#### **30 Events after the reporting date**

On 10th July 2023, Sims Group UK Limited sold Sims Recycling Solutions Sp. Z.o.o for 1 Euro. As part of the sale agreement, Sims Group UK Limited took on the debt, which was in the form of a cash-pooling loan from Sims Metal Management Finance Limited.

#### **31 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.