Appendix 4E

Sims Limited
ABN 69 114 838 630
Preliminary Final Report

Results for announcement to the market

Current period: Year ended 30 June 2020
Prior corresponding period: Year ended 30 June 2019

Results (A$m)				**Year ended 30 June 2020**		**2019**
Sales Revenue	Down	(26.1)%	to	4,908.5	from	6,640.0
Net (loss)/profit for the period attributable to members[1]	Down	(273.9)%	to	(265.3)	from	152.6

[1]Includes A$72.0 million of goodwill and other intangible asset impairment charges during the year ended 30 June 2020 (nil during the year ended 30 June 2019).

Dividends (A¢)	**Cents per Security**	**% Franked per Security**
2020 Interim Dividend (paid 24 March 2020)	6.0	100%
2020 Final Dividend	0.0	N/A

Net tangible assets (A$)	**30 June 2020**	**30 June 2019**
Net tangible asset per security	9.56	10.38

Annual General Meeting

Pursuant to Listing Rule 3.13.1, notice is hereby given that the Annual General Meeting of Sims Limited will be held virtually on Tuesday, 10 November 2020, commencing at 9.00am.

In accordance with Listing Rule 3.13.1, the closing date for receipt of director nominations is Tuesday, 29 September 2020.

For further explanation of the above figures, please refer to the Directors' Report and the consolidated financial statements, press release and market presentations filed with the Australian Securities Exchange Limited ("ASX").

The remainder of the information required by Listing Rule 4.2A is contained in the attached additional information.

The accompanying full year financial report has been audited by Deloitte Touche Tohmatsu. A signed copy of their audit report is included in the financial report.

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DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Sims Limited (the "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2020 ("FY20").

On 25 November 2019, the Australian Securities & Investments Commission approved the name change from Sims Metal Management Limited to Sims Limited. This change is reflected throughout this report.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year comprised (1) the buying, processing and selling of ferrous and non-ferrous recycled metals and (2) the provision of environmentally responsible solutions for the disposal of post-consumer electronic products, including IT assets recycled for commercial customers. The Group offers fee-for-service business opportunities in the environmentally responsible recycling of negative value materials including electrical and electronic equipment. The Group's principal activities remain unchanged from the previous financial year.

OPERATING AND FINANCIAL REVIEW

Disclosing Non-IFRS Financial Information (unaudited)

(A$m)	FY20	FY19	% Change
Sales revenue	4,908.5	6,640.0	(26.1)
Statutory earnings before interest, tax, depreciation and amortisation ("EBITDA")	35.7	358.1	(90.0)
Underlying EBITDA	144.9	363.4	(60.1)
Depreciation expense[1]	(198.0)	(122.3)	(61.9)
Amortisation expense	(4.8)	(10.8)	55.6
Statutory (loss)/earnings before interest and tax ("EBIT")	(239.1)	225.0	(206.3)
Underlying EBIT	(57.9)	230.3	(125.1)
Net interest expense[2]	(13.8)	(6.7)	(106.0)
Underlying income tax benefit/(expense)	13.6	(61.7)	122.0
Statutory net (loss)/profit after tax ("NPAT")	(265.3)	152.6	(273.9)
Underlying NPAT	(58.1)	161.9	(135.9)
Statutory diluted earnings per share ("EPS") (cents)	(131.2)	74.2	(276.8)
Underlying diluted EPS (cents)	(28.7)	78.8	(136.4)
Full year dividends per share (cents)	6.0	42.0	(85.7)
Net assets	1,982.3	2,298.7	(13.8)
Net cash	110.4	347.5	(68.2)
Total capital[3]	1,871.9	1,951.2	(4.1)
Underlying return on capital (%)[4]	(2.2)	8.6	(125.6)
Non-current assets excluding lease-related assets	1,880.0	1,955.4	(3.9)
Return on productive assets (%)[5]	(3.0)	12.2	(124.6)
Net tangible assets	1,922.3	2,104.8	(8.7)
Net tangible assets per share	9.56	10.38	(7.9)
Net cash (outflow)/inflow from operating activities	(65.3)	360.1	(118.1)
Capital expenditures	140.5	197.1	(28.7)
Free cash flow after capital expenditures[6]	(205.8)	163.0	(226.3)
Employees	4,075	4,995	(18.4)
Sales tonnes ('000)	8,154	9,803	(16.8)

[1] FY20 depreciation includes A$67.1 million of expense related to right of use assets (year ended 30 June 2019 ("FY19"): nil).
[2] FY20 net interest expense includes A$6.8 million of expense related to right of use assets (FY19: nil).
[3] Total capital = net assets – net cash.
[4] Underlying return on capital = (annualised underlying EBIT net of tax at effective tax rate of 27.5%) / total capital.
[5] Return on productive assets = underlying EBIT / average of opening non-current assets and ending non-current assets excluding assets relating to adoption of AASB16 *Leases*.
[6] Free cash flow after capital expenditures = operating cash flow – capital expenditures.

Sensitivity to movements in foreign exchange rates

The principal currencies in which the Group's subsidiaries conduct business are United States ("US") dollars, Australian dollars ("A$"), Euros, and British pounds sterling. Although the Group's reporting currency is the Australian dollar, a significant portion of the Group's sales and purchases are in currencies other than the Australian dollar. In addition, significant portions of the Group's net assets are denominated in currencies other than the Australian dollar.

The Group's consolidated financial position, results of operations and cash flows may be materially affected by movements in the exchange rate between the Australian dollar and the respective local currencies to which its subsidiaries are exposed.

Some of the results discussed below are presented on a "constant currency" basis, which means that the current period results are translated into Australian dollars using applicable exchange rates in the prior corresponding period. This allows for a relative performance comparison between the two periods before the translation impact of currency fluctuations.

Foreign exchange rates compared with the prior corresponding periods for the major currencies that affect the Group's results are as follows:

	Average rate - year ended 30 June			Closing rate - as at 30 June		
	2020	**2019**	**% Change**	**2020**	**2019**	**% Change**
US dollar	0.6714	0.7152	(6.1)	0.6903	0.7020	(1.7)
Euro	0.6070	0.6270	(3.2)	0.6145	0.6175	(0.5)
Pound sterling	0.5329	0.5527	(3.6)	0.5566	0.5531	0.6

As at 30 June 2020, the cumulative effect of the retranslation of net assets of foreign controlled entities, recognised through the foreign currency translation reserve, was A$(29.9) million compared to A$(13.0) million as at 30 June 2019.

Summary

Sales revenue of A$4,908.5 million in FY20 was down 26.1% compared to sales revenue of A$6,640.0 million in FY19. The decline was attributed to lower average sales prices, primarily in ferrous metals and zorba products, and lower sales volumes. At constant currency, sales revenue was down 29.3% to A$4,692.0 million. Sales volumes were 8.154 million tonnes in FY20 versus 9.803 million tonnes in FY19. The decline in volume was due principally to the low pricing environment during the half year ended 31 December 2019 ("H1 FY20"), which limited the attractiveness of collection and sale of scrap, and exacerbated by the emergence of COVID-19 during the half year ended 30 June 2020 ("H2 FY20"). See further discussion below under *External Operating Environment* and *Operating Segment Results*.

Statutory EBIT in FY20 was a loss of A$239.1 million compared to A$225.0 million profit in FY19. Underlying EBIT loss during FY20 was A$57.9 million, including a loss of A$35.4 million during H2 FY20. The decrease in underlying EBIT was primarily due to tighter margins throughout FY20 due to intense competition for lower ferrous scrap inflow and lower ferrous and zorba prices compared to FY19. The historic world-wide response to slow the spread of COVID-19 materially reduced intake volumes during H2 FY20. The Company's share of results from joint ventures declined from an underlying A$51.4 million in FY19 to A$16.8 million in FY20, primarily due to a decline of results from the investment in SA Recycling ("SAR").

Statutory NPAT loss in FY20 was A$265.3 million. Underlying NPAT loss was A$58.1 million in FY20 compared to A$161.9 million NPAT profit in FY19. Underlying income tax benefit of A$13.6 million during FY20 was A$75.3 million higher than FY19 underlying income tax expense due primarily to lower profit before tax. Net interest expense of A$13.8 million was A$7.1 million higher than FY19 due partially to the adoption of AASB 16 *Leases*, which resulted in A$6.8 million of incremental interest expense compared to FY19. Statutory EBITDA in FY20 was A$35.7 million compared to A$358.1 million in FY19. EBITDA in FY20 included an A$75.7 million increase in depreciation expense from FY19 to FY20. A$67.1 million of the increased depreciation expense was due to the adoption of AASB 16 *Leases*. See the *Reconciliation of Statutory Results to Underlying Results* included herein for more information.

During FY20, statutory and underlying EPS were lower by 205.4 cents and 107.5 cents, respectively, compared to FY19. The number of shares outstanding at 30 June 2020 decreased 1.6 million from 30 June 2019 as the Company leveraged its share buy-back programme to remove the dilution effect of employee performance rights.

External Operating Environment

The metals recycling industry faced tough external market conditions in FY20. In the quarter ending 30 September 2019 ("Q1 FY20") steel mills materially reduced their scrap purchases, and also their outlook for scrap purchases. The East Coast US export ferrous heavy melting steel ("HMS") price fell around US$50 / tonne in September 2019[1] to circa US$220 / tonne, with poor liquidity. Following this sharp fall there were tentative signs of a recovery in prices and volumes. However, in early 2020, the historic world-wide response to slow the spread of COVID-19 materially reduced intake volumes and sales prices with HMS prices falling to circa US$200 / tonne[1]. Softer economic activity and the lower pricing environment in FY20 reduced ferrous proprietary sales volumes 19.4% and non-ferrous volumes 10.3% compared to the prior corresponding period.

The zorba price started to decline in May 2019 and accelerated through October 2019[1]. A partial recovery commenced in mid-December 2019 and zorba ended the 2020 fiscal year at circa US$800 / tonne compared to an average of circa US$1,000 / tonne throughout FY19[1]. In most areas, the fall in zorba prices did not see a commensurate fall in shredder feed price and therefore compressed margins.

The Company has responded to the tough market conditions with an extensive review of its global operations. This review has resulted in a significant restructure to lower costs including rationalising the operating footprint.

In January 2020, China announced that high grade recycled copper and aluminium imports will be classified as a renewable metal, rather than waste, enabling materials meeting these criteria to be imported without quotas sometime in calendar 2020. Import quotas will remain in operation for Category 6 materials until end of calendar year 2020. The Company's investment in quality has provided optionality in geographic markets, as well as in customers, and placed the Group in a solid position.

Restructure provides a lower operating cost base to assist with challenging market conditions in North America
FY20 proprietary sales volumes in North America declined 17.3% due to reduced inflows driven by a low and volatile pricing environment persisting throughout the year and compounded by COVID-19 lockdowns from March 2020. H2 FY20 proprietary sales volumes were 22.3% lower than H1 FY20 due to severe COVID-19 lockdowns in particular across New York and New Jersey. Intense competition for the lower scrap inflow and low zorba and twitch prices resulted in negative margins. Cost reduction initiatives will deliver improved outcomes and achieve their full run rate in FY21.

Stable domestic demand in Australia for ferrous scrap partially offset weaker exports
Australia's March 2020 quarter GDP declined 0.2%, the first contraction since Q1 2011, as the economy was hit by bushfires, drought and the coronavirus pandemic[2]. Despite this, steel production in Australia was virtually unchanged in FY20 over the prior year, driven by a pipeline of healthy legacy projects across residential, non-residential, and infrastructure. Based on Australian customs statistics, the export of ferrous scrap decreased 10.7% for FY20 compared to FY19[3]. New Zealand was similarly negatively impacted by the coronavirus pandemic. Government mandated stage-4 lockdowns required the full shutdown of Sims facilities in New Zealand during the majority of April, with a resulting negative impact on both intake and sales volumes.

Lower operating cost base helped the UK deliver a significant improvement to the H2 FY20 result
The UK economy contracted 20.4% in the June 2020 quarter reflecting the impact of public health restrictions on the economy. Intake volumes declined 23.8% due to the shutdown of businesses in response to COVID-19, a low pricing environment and intense competition for reduced volumes. Following the Q1 FY20 results, management undertook a

[1] Source: Platts
[2] Source: Australian Bureau of Statistics
[3] Source: World Steel Association

strategic restructure closing 11 sites, providing a lower operating cost base that helped deliver a significant improvement to the H2 FY20 result. There is a proposed closure of a further seven sites in FY21; importantly, FY19 processing capacity will be maintained.

Sims Lifecycle Services (previously Global E-Recycling) secured a further three significant "recycling the cloud" customers for FY21

The results were impacted by the sale of the European compliance scheme operations as at 30 September 2019. Volumes from recycling the cloud increased in FY20 despite logistics disruptions and customer personnel availability, due to COVID-19, limiting the ability to increase cloud material volumes in H2 FY20. Sims' active customer engagement resulted in an additional four cloud customers in FY20 compared to FY19. A further three significant "recycling the cloud" customers were secured for FY21.

Operating Segment Results

North America Metals

	Year ended 30 June		
A$m	**2020**	2019	**Variance %**
Sales revenue	2,061.7	2,725.6	(24.4)
Underlying EBITDA	55.0	162.6	(66.2)
Underlying EBIT	(39.0)	99.7	(139.1)
Sales tonnes (millions)	4.130	4.943	(16.4)
Underlying EBIT margin	(1.9)%	3.7%	

NAM sales revenue of A$2,061.7 million during FY20 was 24.4% lower compared to FY19. At constant currency, sales revenue was down 29.0% to A$1,935.4 million compared to FY19. The decrease was primarily due to lower average sales prices and a 16.4% decrease in total sales volumes compared to the prior corresponding period. Sales volumes, excluding brokerage tonnes, ("proprietary sales volumes") decreased from 4.887 million tonnes during FY19 to 4.042 million tonnes during FY20. H2 FY20 proprietary volumes down 22.3% over H1 FY20 due to slower economic activity largely due to COVID-19 lockdowns in particular across New York and New Jersey.

Underlying EBIT was a loss of A$39.0 million in FY20 compared to A$99.7 million profit in FY19. At constant currency, underlying EBIT was a loss of A$38.7 million. Metal margin deteriorated due to significantly lower volumes and persistent intense competition for lower ferrous scrap inflow, following a fall in ferrous prices and weak zorba prices. This was partially offset by lower employee benefit expense. At constant currency, controllable costs were 3.3% lower in FY20 than in FY19, largely attributable to a 28.7% headcount reduction, most of which occurred in H2 FY20.

Investment in SAR

The Company's share of results from SAR were A$12.1 million during FY20, a decrease of A$23.8 million compared to underlying share of results from SAR during FY19. The result from SAR decreased in FY20 compared to FY19 due to lower volumes and margin compression attributed to a fall in zorba price and general ferrous margin compression due to elevated buy prices for shredder feed during H1 FY20, which partially abated in H2 FY20 as volumes and ferrous margins improved.

Australia & New Zealand Metals

	Year ended 30 June		
A$m	**2020**	2019	**Variance %**
Sales revenue	924.8	1,203.7	(23.2)
Underlying EBITDA	103.7	137.9	(24.8)
Underlying EBIT	50.7	106.5	(52.4)
Sales tonnes (millions)	1.499	1.882	(20.4)
Underlying EBIT margin	5.5%	8.8%	

ANZ sales revenue of A$924.8 million in FY20 was 23.2% lower compared to FY19. The decrease was primarily due to lower average sales prices in challenging market conditions and a 19.0% decrease in proprietary sales volumes. The volume decline was driven by lower commodity prices and the impact of COVID-19 lockdowns across ANZ, particularly New Zealand, reducing economic activity during H2 FY20. Relatively stable demand for ferrous scrap metal from Australian steel mills partially offset some of the aforementioned external market headwinds.

Underlying EBIT of A$50.7 million during FY20 was 52.4% lower compared to FY19, largely due to lower volumes. Improved H2 FY20 underlying EBIT was attributed to improved margins over H1 FY20 and supported by internal initiatives and swift cost reductions. FY20 controllable costs decreased 3.9% compared to FY19 due in part to lower labour costs in the current period.

UK Metals

	Year ended 30 June		
A$m	**2020**	2019	**Variance %**
Sales revenue	869.8	1,186.9	(26.7)
Underlying EBITDA	(4.3)	39.5	(110.9)
Underlying EBIT	(31.9)	20.3	(257.1)
Sales tonnes (millions)	1.224	1.604	(23.7)
Underlying EBIT margin	(3.7)%	1.7%	

Sales revenue for UK Metals of A$869.8 million in FY20 was 26.7% lower compared to FY19. At constant currency, sales revenue declined 29.3% to A$838.6 million compared to FY19. The decrease was primarily due to facilities shutdowns in response to COVID-19 and intense competition for material in the UK market. Consequently, proprietary sales volumes decreased 23.8%.

Underlying EBIT was a loss of A$31.9 million during FY20. However, underlying EBIT improved by A$24.9 million in H2 FY20 compared to H1 FY20. The improvement compared to H1 FY20 was attributed to higher gross margin per tonne and a business restructure commenced in late H1 FY20, resulting in the closure of 11 facilities and 85 fewer employees. Further focus on controllable costs in H2 FY20 resulted in a 5.7% decrease in controllable costs at constant currency compared to FY19. Additional restructuring has been proposed in July 2020 which, if implemented, will result in further site closures and headcount reduction, while maintaining FY19 processing capacity.

Sims Lifecycle Services ("SLS") (previously Global E-Recycling)

	Year ended 30 June		
A$m	**2020**	2019	**Variance %**
Sales revenue	408.0	746.5	(45.3)
Underlying EBITDA	28.2	34.5	(18.3)
Underlying EBIT	16.9	26.0	(35.0)
Underlying EBIT margin	4.1%	3.5%	

Sales revenue for SLS of A$408.0 million in FY20 was 45.3% lower compared to FY19. The decline was primarily due to the disposition of European compliance scheme operations as at 30 September 2019. Normalising FY19 to exclude for the nine months of disposed operations, FY20 sales revenue was higher by 6.9%.

Underlying EBIT was A$16.9 million in FY20 compared to A$26.0 million in FY19. However, remaining SLS businesses improved A$3.2 million during H2 FY20 compared to H1 FY20, despite logistics disruptions and customer personnel availability due to COVID-19. Margins benefited from higher precious metals prices and total cloud volumes improved 13.9% during FY20 compared to FY19.

Global Trading and Unallocated
Global Trading underlying EBIT loss of A$15.2 million during FY20 was in line with the FY19 underlying EBIT loss of A$15.1 million. However, at constant currency, the underlying EBIT loss in FY20 improved to A$13.5 million. A decline in SA Recycling brokerage margins was offset by lower operating costs, primarily lower employee benefits expense during FY20 and full year cost savings from consolidation of two offices into one during FY19.

Sims Municipal Recycling ("SMR") underlying EBIT of A$1.5 million during FY20 declined A$5.9 million from FY19 due to increased residue rates and disposal costs, and lower paper and plastic prices. The cost pressures were partially offset by EBIT contributions from the recently commenced Florida contract.

On a constant currency basis, corporate costs within the unallocated segment were A$54.3 million during FY20. This amount was an 8.6% decrease from FY19. The cost reduction was due to lower employee benefit expenses compared to the prior corresponding period, partially offset by professional costs associated with advisory fees for restructuring of business systems and processes.

The Company's 50% investment in the LMS Energy Pty Ltd joint venture ("LMS") contributed A$7.2 million of equity accounted profits during FY20, down 25.0% over the prior corresponding period. The decline in performance was due to falling wholesale electricity prices and Large Generation Certificate prices.

Reconciliation of Statutory Results to Underlying Results

	EBITDA[1]		**EBIT**		**NPAT**	
	FY20	**FY19**	**FY20**	**FY19**	**FY20**	**FY19**
A$m						
Reported earnings	**35.7**	358.1	**(239.1)**	225.0	**(265.3)**	152.6
Significant items:						
Legacy brand write offs	**N/A**[2]	N/A[2]	**27.3**	-	**20.6**	-
Other intangible asset impairments	**N/A**[2]	N/A[2]	**44.7**	-	**34.7**	-
Asset write offs	**50.2**	-	**50.2**	-	**38.8**	-
Restructuring and redundancies	**35.2**	11.5	**35.2**	11.5	**27.8**	8.9
Gain on sale of property	**(20.4)**	(4.2)	**(20.4)**	(4.2)	**(15.4)**	(3.0)
Loss on sale of businesses, net of related transactional expenses	**9.9**	-	**9.9**	-	**8.3**	-
Environmental provisions	**25.0**	-	**25.0**	-	**18.8**	-
Non-qualified hedges	**8.0**	2.2	**8.0**	2.2	**6.2**	1.9
Impact of fires, net of insurance recoveries to date	**(5.0)**	(1.8)	**(5.0)**	(1.8)	**(3.7)**	(1.2)
Other non-recurring items	**6.3**	2.7	**6.3**	2.7	**5.0**	2.0
Impact of tax remeasurements	-	-	-	-	**66.1**	4.5
Non-recurring gain on asset disposition by joint venture	**-**	(5.1)	**-**	(5.1)	**-**	(3.8)
Underlying results[3]	**144.9**	**363.4**	**(57.9)**	**230.3**	**(58.1)**	**161.9**

[1] EBITDA is a measurement of non-conforming financial information. See table below that reconciles EBITDA to statutory net profit.
[2] N/A indicates that statutory EBITDA is calculated to exclude impairment of goodwill and other identified intangible assets in the presentation of both the statutory and underlying results.
[3] Underlying result is a non-IFRS measure that is presented to provide an understanding of the underlying performance of the Group. The measure excludes the impacts of impairments, disposals as well as items that are subject to significant variability from one period to the next. The reconciling items above (before tax) have been extracted from the audited financial statements.

Reconciliation of Statutory NPAT to EBITDA

A$m	Year ended 30 June 2020	2019
Statutory net (loss)/profit after tax	**(265.3)**	152.6
Impairment of goodwill and other intangible assets	**72.0**	-
Depreciation and amortisation, net of right of use asset depreciation	**135.7**	133.1
Right of use asset depreciation	**67.1**	-
Interest expense from external borrowings, net	**7.0**	6.7
Lease liability interest expense	**6.8**	-
Income tax expense	**12.4**	65.7
Statutory EBITDA	**35.7**	358.1

Cash flow and borrowings

Cash outflow from operating activities was A$65.3 million in FY20 compared to cash inflow of A$360.1 million during FY19. The sequential decline was largely attributed to a A$218.5 million decline in underlying EBITDA and net working capital outflow. During FY20, the net cash outflow attributed to change in operating assets and liabilities was A$125.0 million, predominantly due to an A$114.9 million net outflow for trade and other receivables and payables.

Cash received from the sale of European compliance scheme operations was A$149.9 million during FY20, less A$28.7 million of cash settlements for disposed businesses. Capital expenditures, net of related reimbursed insurance recoveries and grants, were A$132.4 million during FY20 compared to capital expenditures of A$197.1 million in FY19. Capital spend was reduced during H2 FY20 in response to the uncertainty arising from COVID-19. Capital expenditures during FY20 were primarily related to the global enterprise resource planning (“ERP”) system, initial spend on the development of the first Resource Renewal facility in Australia, the Avonmouth UK shredder upgrade, and incremental spend on certain downstream separation technologies.

During FY20, the Group paid cash dividends of A$50.6 million compared to A$107.9 million in FY19. The Group loaned A$61.4 million to Adams Steel of Nevada, a related party. Cash payments for the Company’s share buyback programme and payments for employee share purchase plans was A$34.0 million in FY20 compared to A$19.3 million in FY19. As part of the implementation of AASB 16 *Leases*, financing cash outflows from repayment of lease liabilities increased to A$68.2 million in FY20 as compared to A$1.6 million in FY19. This represented the cash outlay for lease payments in FY20, which was previously disclosed in operating activities.

At 30 June 2020, the Group had a net cash position of A$110.4 million compared to a net cash position of A$347.5 million at 30 June 2019. The Group calculates net cash as cash balances less total borrowings and reflects total borrowings as if borrowings were reduced by cash balances as a pro forma measurement as follows:

A$m	As at 30 June 2020	2019
Total cash	**227.3**	382.9
Less: total borrowings	**(116.9)**	(35.4)
Net cash	**110.4**	347.5

Strategic Developments

Progressing strategic growth plan

In April 2019, the Company announced a significant growth strategy for its current lines of business and an expansion into new environmental adjacencies. China’s new regulations classifying high quality non-ferrous scrap as a “renewable metal” rather than “waste”, expected to be implemented in calendar 2020, validates the strategic push into increasing non-ferrous volumes.

Good progress was made across three growth areas:

- commenced community consultation for the first resource renewal facility planned in Campbellfield, Victoria, using InEnTec technology. InEnTec technology has been in operation since 1997, with a number of facilities across the USA and Asia;
- secured a further three significant "recycling the cloud" customers for FY21 and targeting a 34% increase in FY21 to 33,000 tonnes; and
- won an additional municipal recycling contract in Florida with contract terms mitigating commodity risk.

The Company is in a strong position to further advance the strategy in FY21 and going forward.

Strong balance sheet to support staged and disciplined growth and shareholder returns
The Company maintained an attractive balance sheet with a net cash position of A$110.4 million as at 30 June 2020.

The Company announced a capital strategy in April 2019 that balances distributions to shareholders with the need for investment to support the Company's growth strategy. The Company introduced key principles to capital management.

- target A$100 million average net cash;
- fund growth assets within the A$100 million target but temporarily allow gearing[1] to increase to 10%[2], with a return to A$100 million net cash target within three years;
- fund working capital movements with standby facilities;
- remove the dilution effect of employee performance rights;
- pay 100% franked dividends; and
- the allocation of any surplus cash after meeting the above principles will be determined at that time, including additional share buybacks.

The approach to capital management is staged and disciplined as:
- projects must pass all feasibility, design stage gates and approval processes prior to capital commitment; and
- there is a rigorous post-implementation review where expected returns need to be achieved prior to further investment.

During FY20, the Company renewed the share buy-back programme purchasing A$16.5 million in shares. Additionally, the Company purchased A$17.5 million in shares through established employee share ownership programme trusts.

Given the uncertainty surrounding the economic recovery from COVID-19, the Company has budgeted capital expenditure for H1 FY21 only. Capital expenditure beyond this will be allocated at the end of H1 FY21 and will reflect market conditions at that time. Capital expenditure for H1 FY21 is estimated to be approximately A$95 million, with approximately one third budgeted for growth projects, focused on the ERP programme and first Resource Renewal Facility. The Company will also consider external growth opportunities that fit the Company's growth strategy, complement its core competencies and enhance returns, without elevating the Group's operating risk profile.

Market Conditions and Outlook

The Company has been restructured to handle global market volatility through:
- cost reductions;
- structurally combining buy and sell functions; and
- implementation of ERP to provide real time global trading and inventory positions and retain cost reductions.

The Company is well positioned to take advantage of government infrastructure stimulus. Despite the very difficult trading conditions that prevailed for the majority of FY20, the Company, including all metal divisions, returned to profit for the month of July 2020.

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[1] Defined as financial debt / (financial debt + equity).
[2] Currently equivalent to approximately A$210 million.

In order to accommodate the high level of uncertainty, the Company has split its traditional annual budget into two six-month periods. The budget for the period 1 July to 31 December 2020 was approved by the Board at its June meeting. The budget covering the period 1 January to 30 June 2021 will be presented and approved at the December 2020 meeting of the Board.

NAMES AND PARTICULARS OF DIRECTORS

The following persons, together with their qualifications and experience, were Directors of the Company during the financial year and up to the date of this report:

Geoffrey N Brunsdon AM B Comm (age 62)
Chairman and Independent non-executive director

Mr Brunsdon was appointed as a director in November 2009, appointed Deputy Chairperson in September 2011 and appointed Chairperson of the Company on 1 March 2012. He is Chairperson of the Nomination/Governance Committee, and is a member of the Risk Committee, the Audit Committee and the Remuneration Committee. Until June 2009, Mr Brunsdon was Managing Director and Head of Investment Banking of Merrill Lynch International (Australia) Limited. He is Chairman of APN Funds Management Limited (since November 2009) and MetLife Insurance Limited (since April 2011). He was a member of the listing committee of the Australian Securities Exchange between 1993 and 1997, a member of the Takeovers Panel between 2007 and 2016 and was a director of Sims Group Limited between 1999 and 2007. He is a Fellow of the Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australia and a Fellow of the Institute of Company Directors. Mr Brunsdon is also a director of the Wentworth Group of Concerned Scientists and Purves Environmental Custodians and, in 2019, was awarded the rank of Member of the Order of Australia (AM).

Alistair Field (NHD) Mech Eng, MBA (age 56)
Group Chief Executive Officer and Managing Director

Mr Field was appointed Group Chief Executive Officer and Managing Director of the Company in August 2017. He is a member of the Safety, Health, Environment, Community & Sustainability Committee, the Nomination/Governance Committee and the Risk Committee. Mr Field joined the Company on 1 October 2015 as the Managing Director of ANZ Metals. He has more than 25 years of experience in the mining and manufacturing industries. He has held a number of senior leadership positions, including most recently as Director of Patrick Terminals & Logistics Division for Asciano Limited, and previously as Chief Operating Officer for Rio Tinto Alcan's Bauxite and Alumina Division. Mr Field is a Mechanical Engineer with an MBA from the Henley Business School.

Tom Gorman BA, MS, MBA (age 60)
Independent non-executive director

Mr Gorman was appointed as a director in June 2020. He is a member of the Safety, Health, Environment, Community & Sustainability (SHECS) Committee. Mr Gorman served as the Global Chief Executive Officer of Brambles Ltd for seven years, retiring in February 2017. Prior to Brambles, Mr Gorman held a number of senior executive positions over a 21 year career at Ford Motor Company, culminating in President and Chief Executive Officer of Ford Australia from 2004 to 2008. He is a director of Worley Ltd, a global provider of professional project and asset services, and Orora Ltd, a packaging solutions specialist. Mr Gorman holds a Bachelor of Arts in Economics from Tufts University, a Master of Business Administration from Harvard Business School and a Global Master of Arts in International Relations and Affairs from Tufts University.

Hiroyuki Kato, BA (age 64)
Non-independent non-executive director

Mr Kato was appointed as a director in November 2018. He is Mitsui & Co, Ltd's nominated non-independent director. He is a member of the Audit Committee and the Safety, Health, Environment, Community & Sustainability Committee. Mr Kato started his business career in the iron ore division of Mitsui, where he gained considerable experience relating to the mining industry, which became the backbone of his long career at Mitsui. After completing two assignments in New York and attending MIT Sloan School of Management, Mr. Kato held various positions in Mitsui's oil and gas divisions. In June 2020, Mr Kato retired from his position as a Counsellor to Mitsui.

Georgia Nelson BS, MBA (age 70)
Independent non-executive director

Ms Nelson was appointed as a director in November 2014. She is Chairperson of the Risk Committee, and is a member of the Audit Committee and the Remuneration Committee. Ms Nelson is an experienced director having served as a board director of nine corporations over 24 years. Through her company, PTI Resources, LLC, Ms Nelson consulted on a variety of environmental and energy policy matters from 2005 to 2019. A global operations executive, Ms Nelson was the former founding president of Midwest Generation EME, LLC, an Edison International company, and senior vice president of worldwide operations for Edison Mission Energy. Ms Nelson serves as a director of two publicly traded US corporations: Cummins Inc (CMI), a global engine and equipment manufacturer, and Ball Corporation (BLL), a global metals container manufacturing company, and one publicly traded Canadian corporation, TransAlta Corporation (TAC), a power generation and wholesale marketing company. Ms Nelson holds an MBA from the University of Southern California and a BS from Pepperdine University.

Deborah O'Toole LLB, MAICD (age 63)
Independent non-executive director

Ms O'Toole was appointed as a director in November 2014. She is Chairperson of the Audit Committee, and is a member of the Risk Committee and the Remuneration Committee. Ms O'Toole has extensive executive experience across a number of sectors including over 20 years in the mining industry and, more recently, in transport and logistics which included managerial, operational and financial roles. She has been Chief Financial Officer in three ASX listed companies: MIM Holdings Limited, Queensland Cotton Holdings Limited and, most recently, Aurizon Holdings Limited. Ms O'Toole's board experience includes directorships of the CSIRO, Norfolk Group, various companies in the MIM and Aurizon Groups, and Government and private sector advisory boards. She has acted as Chairperson of the Audit Committees of CSIRO, Norfolk Group and Pacific Aluminium. She has also acted as Chairperson of the Risk Committee at Credit Union Australia and Chairperson of the Audit & Risk Committee at Pacific National Rail. Ms O'Toole is a director of Alumina Limited (since December 2017), the Asciano Rail Group of Companies operating as Pacific National Rail and Credit Union Australia.

Heather Ridout AO BEc (Hons) (age 66)
Independent non-executive director

Mrs Ridout was appointed as a director in September 2011. She is Chairperson of the Remuneration Committee, and is a member of the Safety, Health, Environment, Community & Sustainability Committee, the Risk Committee and the Nomination/Governance Committee. Mrs Ridout is an Alternate Director and member of the Investment Committee of AustralianSuper, the largest pension fund in Australia, and she formerly served as its Chair from March 2013 to September 2019. Mrs Ridout also serves as a director of Australian Securities Exchange Limited (since August 2012), and she is on the board of the Australian Chamber Orchestra. Mrs Ridout was formerly the Chief Executive Officer of the Australian Industry Group from 2004 until her retirement in April 2012. Her previous appointments include being a Board member of the Reserve Bank of Australia between 2011 and 2017, a member of the Henry Tax Review panel, board member of Infrastructure Australia and the Australian Workforce and Productivity Agency, and a member of the Climate Change Authority and the Prime Minister's Taskforce on Manufacturing. She has an economics degree, with honours, from the University of Sydney and in 2013 was awarded the rank of Officer of the Order of Australia (AO).

James T Thompson BS (age 70)
Independent non-executive director

Mr Thompson was appointed as a director in November 2009. He is Chairperson of the Safety, Health, Environment, Community & Sustainability Committee, and is a member of the Remuneration Committee and the Nomination/Governance Committee. Mr Thompson was, from 2004 until his retirement in 2007, Executive Vice President Commercial for The Mosaic Company, one of the world's largest fertiliser companies, which is publicly traded on the New York Stock Exchange. Prior to that, Mr Thompson had a 30 year career in the steel industry from 1974 to 2004, serving in various roles at Cargill, Inc, leading to the position of President of Cargill Steel Group from 1996–2004. During that period, Mr Thompson also served for a time as Co-Chairman of the North Star BlueScope Steel joint venture, and was a member of various industry boards, including AISI (American Iron and Steel Institute), SMA (Steel Manufacturers Institute) and MSCI (Metals Service Center Institute). He is currently a director of Hawkins, Inc, and serves as Chairman of the Board of Visitors of the University of Wisconsin School of Education. Mr Thompson has a BS from the University of Wisconsin Madison.

Mr DiLacqua resigned from the Board of Directors on 31 August 2019 having served as an independent non-executive director since September 2011.

Mr Kane resigned from the Board of Directors on 4 November 2019 having served as an independent non-executive director since March 2019.

COMPANY SECRETARIES

Gretchen Johanns (Executive)

Ms Johanns joined the Company in November 2018 as Group General Counsel and Company Secretary. Ms Johanns has more than 20 years of experience as a senior legal advisor with US publicly-listed companies in the information technology, service and media industries. Prior to joining the Company, Ms Johanns served as Deputy General Counsel and Corporate Secretary at Xerox Corporation. Previously, she served in various legal roles at Time Warner Cable Inc.

Angela Catt

Ms Catt was appointed to the position of Company Secretary in 2019. Angela has more than 15 years of experience in commercial roles across the energy industry, investment banking and professional services. Prior to joining the Company, Ms Catt served as General Manager, Commercial at ASX-listed AGL Energy and Executive Director, Energy Delivery at NSW Government.

DIRECTORS' MEETINGS

The following table shows the number of board and committee meetings held during the financial year ended 30 June 2020 and the number of meetings attended by each Director.

	Board of Directors		Audit Committee		Risk Committee		Safety, Health, Environment, Community & Sustainability Committee		Remuneration Committee		Nomination/ Governance Committee	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
G Brunsdon	12	12	5	5	4	4			4	4	3	3
J DiLacqua[1]	1	1	1	1								
A Field	12	12			4	4	4	4			3	3
M Kane[2]	2	2					1	1				
H Kato	12	12	5	5			4	4				
T Gorman	1	1					1	1				
G Nelson	12	12	5	5	4	4			4	4		
D O'Toole	12	12	5	5	4	4			4	4		
H Ridout	12	12			4	4	4	4	4	4	3	3
J Thompson	12	12					4	4	4	4	3	3

Column A: Number of meetings eligible to attend
Column B: Number of Meetings attended

Directors also attend meetings of committees of which they are not a member. This is not reflected in the table above.

[1] Mr DiLacqua retired on 31 August 2019 having served on the Board since 2011.
[2] Mr Kane retired on 4 November 2019 having served on the Board since March 2019.

DIRECTORS' INTERESTS

As at the date of this report, the interests of the Directors in the shares, options, or performance rights of the Company are set forth below:

	Shares
G Brunsdon	39,057
A Field*	150,160
T Gorman	-
H Kato	-
G Nelson	6,700
D O'Toole	17,500
H Ridout	5,000
J Thompson	26,000

***** Refer to the Remuneration Report for information on options and performance rights held by Mr Field.

DIVIDENDS

The Directors have declared a final dividend will not be paid for the year ended 30 June 2020.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 29 June 2020, the Company announced the creation of two new leadership roles within the Sims Metals business unit effective 1 July 2020, Chief Operating Officer and Chief Commercial Officer. Mr John Glyde, former Managing Director of Australia & New Zealand Metals, was appointed Chief Operating Officer, Sims Metal and will be responsible for Sims Metal processing facilities globally, transportation and logistics (excluding chartering) and engineering services. Mr Michael Movsas, former President North America Metals, was appointed Chief Commercial Officer, Sims Metal and will be responsible for both ferrous and non-ferrous buying and sales for the metals business division globally.

Additionally, on 29 June 2020, the Company announced that the Company head office had relocated from Rye, New York to Sydney, NSW. Mr Field and Mr Stephen Mikkelsen, Group Chief Financial, will be based in Australia. Additionally, Mr Brendan McDonnell, Group Chief Technology Officer, will be based in Brisbane, Australia, where he will oversee the Sims Resource Renewal programme.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Directors are not aware of any items, transactions or events of a material or unusual nature that have arisen since the end of the financial year which will significantly affect, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

LIKELY DEVELOPMENTS

Information as to the likely developments in the operations of the Group is set out in the *Operating and Financial Review* above.

Further information on likely developments in the operations of the Group and the expected results of operations in subsequent financial years have not been included in this annual financial report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL COMPLIANCE

The Group is subject to environmental regulations and reporting requirements in Australia as well as other countries in which it operates. The Group has environmental permits in place at various operating sites as prescribed by relevant local environmental authorities. Conditions associated with these permits include requirements such as environmental monitoring and compliance reporting.

Under Australian environmental regulation, an entity is required to provide a summary of its environmental performance as per s299(1)(f) of the Corporations Act 2001 (the “Act”). In Addition, the National Greenhouse and Energy Reporting Act 2007 (“NGER”) requires the Group to report its annual greenhouse emissions and energy use of its Australian operations. The Group has implemented systems and processes for the collection and calculation of the data required so as to prepare and submit the relevant report to the Clean Energy Regulator annually.

The Group’s overall environmental footprint performance is reported via the Group’s Annual Sustainability Report available on the Company's website at www.simsmm.com.

In the last 12 months, there have been no material exposure to the risk of breaches of environmental permits conditions or legislation.

CLIMATE CHANGE RISKS

We recognise that climate change may have a meaningful impact on the financial performance of the Group over time, and we have begun the process of identifying key risks and developing actions to mitigate their impact. We are committing to adopt the Task Force on Climate-related Financial Disclosures recommendations (“TCFD”) and have begun doing so in our annual sustainability report.

As a key enabler of the circular economy, Sims diverts valuable resources away from landfill, bringing benefits to our value chain, such as: greenhouse gas ("GHG") emissions mitigation, landfill diversion and virgin raw materials demand reduction. However to achieve a bigger impact, broader awareness and collaboration is required. As a result, the Group supports the development of new transition indicators for the circular economy via the Factor10 project of the World Business Council for Sustainable Development ("WBCSD").

For Sims, climate change matters are likely to be driven by changes in regulations, public policy and physical climate parameters. These are elaborated upon as follows:

Regulations
Regulations include cap and trade schemes, emissions limits and taxes on GHG emissions. The potential impacts range between increased cost of purchased energy, capital costs needed for the electrification of equipment or lower emissions equipment, and cost associated with a potential carbon tax. While it is difficult to estimate the potential impact of future regulations on energy prices, Sims will work on decreasing the potential impact by optimising Sims' energy use and lessen reliance on fossil fuel sources. Sims has not experienced any material impact related to these potential regulations but will continue to evaluate and monitor future development.

Public Policy
As awareness on the impacts of climate change continues to grow, so are the commitments by companies and governments to achieve carbon neutrality. Since we operate across the globe, Sims will need to meet those commitments. As it is the endorsement by the European Council in December 2019 to make the EU climate-neutral by 2050, in line with the Paris Agreement. Sims supports these efforts as it aligns with our purpose: "Create a world without waste to preserve our planet" and are preparing to meet those expectations.

Physical Risks
The key risks identified centre around the potential for increased, and more extreme, weather events impacting:

- health and safety issues for employees operating on sites (extreme temperatures);
- inability to maintain standard operational hours at facilities (extreme temperatures);
- docks, material handling and the transportation of products (intense rain and wind);
- access to a reliable supply of electricity (extended heat waves); and
- reliable operation of critical data storage sites (flooding, extended heat waves).

During the H2 FY19, Sims experienced a multi-million dollar negative profit impact through its supply chain due to heavy flooding in some southern states in the US, which made it difficult to move material and lowered intake volumes. While not all floods are due to climate change, this cost is a clear indicator of the increasing financial exposure to extreme weather patterns that Sims is exposed to.

As the Company refines the measurement of our carbon footprint and develop our next targets, we will develop climate change-related targets to support GHG emissions mitigation across our own operations and to intentionally influence our value chain. In the interim, all capital expenditure approvals over a US$5 million threshold value require consideration of the impact of climate change as standard practice.

INSURANCE AND INDEMNIFICATION OF OFFICERS

During the financial year, the Company had contracts in place insuring all Directors and Executives of the Company (and/or any subsidiary companies in which it holds greater than 50% of the voting shares), including Directors in office at the date of this report and those who served on the board during the year, against liabilities that may arise from their positions within the Company and its controlled entities, except where the liabilities arise out of conduct involving a lack of good faith. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid as such disclosure is prohibited under the terms of the contracts.

SHARE OPTIONS AND RIGHTS

Unissued shares

As of the date of this report, there are 8,047,884 share options outstanding and 5,528,747 rights outstanding in relation to the Company's ordinary shares. Refer to note 26 of the consolidated financial statements for further details of the options and rights outstanding as at 30 June 2020. Option and right holders do not have any right, by virtue of the option or right, to participate in any share issue of the Company.

Shares issued as a result of the exercise of options and vesting of rights

During the financial year, there were 192,507 ordinary shares issued upon the exercise of share options and 1,457,311 ordinary shares issued through the employee share ownership programme trusts in connection with the vesting of rights. Refer to note 26 of the consolidated financial statements for further details of shares issued pursuant to share-based awards. Subsequent to the end of the financial year and up to the date of this report, there have been nil ordinary shares issued upon the exercise of share options and nil ordinary shares issued in connection with the vesting of rights.

NON-AUDIT SERVICES

The Company may decide to employ its external auditor (Deloitte Touche Tohmatsu) on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the financial year are set out in note 29 of the consolidated financial statements.

The Board has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set forth in note 29 of the consolidated financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Act is set out on page 50 and forms part of the Directors' Report for the year ended 30 June 2020.

AUDITOR ROTATION

In accordance with section 324DAA of the Act, and the recommendation of the Audit Committee, the Board approved Mr Don Pasquariello to continue as lead audit partner for an additional two successive financial years, being the financial years ending 30 June 2020 and 30 June 2021. In its recommendation to the Board of Directors, the Audit Committee considered several factors that will significantly increase the complexity of the accounting and the financial control environment over the next two years, and the benefit of retaining knowledge to maintaining audit quality during this period.

In granting the approval, the Board noted that the Audit Committee was satisfied that the approval:

- is consistent with maintaining the quality of the audit provided to Sims; and
- would not give risk to a conflict of interest situation (as defined in section 324CD of the Act).

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2017/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest tenth of a million dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board of Directors.

G N Brunsdon
Chairperson
Sydney
18 August 2020

A Field
Managing Director and Group CEO
Sydney
18 August 2020

REMUNERATION REPORT

The Committee presents the Remuneration Report (Report) for the Company and the Group for the performance period from 1 July 2019 to 30 June 2020 (FY20). This Report forms part of the Directors' Report and has been audited by our independent auditor, Deloitte Touche Tohmatsu, in accordance with section 300A of the Corporations Act 2001. The Report sets out remuneration information for the Company's Key Management Personnel (KMP).

CONTENTS

Listed below are KMPs for FY20 including Executives and Non-Executive Directors (NEDs). "Executives" in this report refers to executive KMP.

Directors and Executives who were KMP during FY20

Name	Position	Country	Appointed/Departed *(where applicable)*
Executives			
Alistair Field	Group Chief Executive Officer and Managing Director (Group CEO)	USA*	-
Stephen Mikkelsen	Group Chief Financial Officer (Group CFO)	USA*	-
William Schmiedel	President – Global Trade	USA	Retired (30 June 2020)
Stephen Skurnac	Group Chief Development Officer (Group CDO)	USA	-
NEDs			
Geoffrey N Brunsdon	Chairperson and Independent NED	Australia	-
Thomas Gorman	Independent NED	USA	Joined (15 June 2020)
Hiroyuki Kato	Non-Independent NED	Japan	
Georgia Nelson	Independent NED	USA	-
Deborah O'Toole	Independent NED	Australia	-
Heather Ridout	Independent NED	Australia	-
James T Thompson	Independent NED	USA	-
Former NEDs			
John T DiLacqua	Independent NED	USA	Retired (31 August 2019)
Mike Kane	Independent NED	USA	Retired (4 November 2019)

* Note: Messrs Field and Mikkelsen each relocated to Australia effective 1 July 2020 and 1 June 2020 respectively

Changes to KMP since the end of the reporting period

Highlighted below are changes to KMPs since the end of the reporting period and prior to the signing of this Report.

- On 11 February 2020, the Company announced to shareholders the retirement of Mr William Schmiedel, effective 30 June 2020. Mr Schmiedel served as President Global Trade where his focus was developing the business strategy and leading the structure and execution of the Company's ferrous and non-ferrous sales. He has worked in the metals recycling industry for more than 50 years. For details related to terms of Mr Schmiedel's retirement remuneration package and consulting agreement commencing 1 July 2020, see Section 5.2 of this Report.

- Effective 1 July 2020, two new leadership roles were created within the Metals business division. Mr John Glyde, regional leader of ANZ Metals was appointed Chief Operating Officer, Global Metals, with responsibility for Sims metal processing facilities globally, transportation and logistics (excluding chartering) and engineering services. Mr Michael Movsas, regional leader of North America Metals was appointed Chief Commercial Officer, Global Metals, with responsibility for both ferrous and non-ferrous buying and sales for the metals business division globally.

SECTION 1: REMUNERATION COMMITTEE CHAIRPERSON'S LETTER TO SHAREHOLDERS

INTRODUCTION FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Sims Limited's Remuneration Report for the fiscal year ended 30 June 2020 (FY20).

I believe it is appropriate to introduce this report by recognising the extraordinary and outstanding efforts of Sims' management team in responding to, and leading the Company throughout the ongoing COVID-19 pandemic and associated crisis. The complexities associated with operating in different global jurisdictions, the differences in federal, state and local government responses, the imposed restrictions and shutdowns, the varying virus infection rates and all the associated social and personal impacts, demanded extraordinary effort, commitment and adaptability from our team. The leadership team consistently made swift and sound judgements to protect employees and Company assets alike. The coordination of the unplanned and immediate change to working from home arrangements for a large portion of our workforce, including our executives, was managed with impressive success. The Company is remaining true to our strategy to ensure that we will emerge stronger from the crisis and stay on track to deliver on our long-term value creation objectives to our shareholders. The Board extends its gratitude to the executive leadership team, and indeed to all the dedicated employees of Sims.

As the Chair of the Remuneration Committee (Committee) it is a pleasure and honour to work with such a committed group of Directors to champion one of the most important duties of the Board, which is to design and implement a remuneration framework for the Company's executives and employees. The Committee strives to provide a framework that is market competitive, aligned to shareholder and other stakeholder interests, and fit-for-purpose to motivate delivery of the financial and strategic objectives of the business.

We regularly engage with shareholders and advisors to discuss the philosophy and mechanics behind the remuneration framework and incorporate that feedback to improve the design and disclosures. Last year we implemented several changes as a result of this practice and were very pleased to receive shareholder support on both the Remuneration Report and CEO equity award of 93.8% and 94.1% respectively. Given this level of support, we believe the current remuneration framework remains highly relevant as we look forward to the fiscal year ending 30 June 2021 (FY21), and therefore propose only minor changes described later in this Report.

FY20 Review

FY20 proved to be what can only be characterised as a year of two very different halves. We began FY20 with a focus on initiatives and actions designed to strengthen our longer-term growth strategies and continue to transform Sims into one singularly focused, purpose-driven company. The management team was making excellent progress towards achieving many of the initiatives to grow our ferrous and non-ferrous volumes, as well as our cloud recycling business - now named Sims Lifecycle Services. Our energy recovery facilities plans and our OneSims programme for efficiency and productivity improvements, including the implementation of a single global operating system platform, had all been initiated and progressed on schedule.

However, as the COVID-19 crisis materialised during the second half of FY20, we quickly pivoted our direction and priorities to take immediate actions to ensure we were protecting our employees first, and protecting our business second. Although our long-term strategy remains materially on track, this shift in focus resulted in certain of our near-term strategic growth initiatives being temporarily paused, or reduced in scope until the health risks and business conditions were mitigated.

Responding to the COVID-19 Pandemic Crisis

As discussed above, the COVID-19 pandemic presented complex and unprecedented challenges for Sims, the industry in which we operate and the global economy. A small sample of several decisive actions management has undertaken include:

- immediate investments into COVID-related safety risk assessments, engineered solutions for social distancing and contact elimination, and improved personal protective equipment and hygiene procedures to provide a safe environment for our workforce who are essential to keeping our operations running safely;
- ensuring Sims is prepared to assist its workforce through available advantages offered by government subsidy programs and/or through the Company's funding of emergency relief programs and continued healthcare coverage for employees negatively impacted by the crisis;
- swift decisions regarding plant and office idling and closures, commensurate with significant numbers of furloughed employees, particularly in the US, UK and New Zealand; and
- an immediate shift in focus to cash preservation to ensure adequate liquidity remained to meet our operating needs.

Thanks to the dedication and ingenuity of our employees, we were able to keep our essential operations running in a safe and secure manner. As local jurisdictions made decisions to resume business, our facilities and employees were safely re-started following strict regimens for re-induction and training on new safety protocols. We recognise this crisis is far from over and remain diligent in improving our protocols as risks are identified in the communities in which we operate around the world.

Impacts to Remuneration Program

In recognition of the decline in business levels, the impact on so many of our employees and the continued uncertainties that remain, at the recommendation of management, the Board exercised its discretion to forfeit any STI entitlement for FY20 for the CEO and all KMP Executives. Management recommended this action despite the achievement of personal objectives not tied to the Company's financial performance.

The financial results for the year also negatively impacted the majority of the LTI awards eligible for vesting contingent upon performance periods measured through 30 June 2020. These include vesting of nil for both return on invested capital (ROIC) and total shareholder return (TSR) performance rights, and only a partial vesting for the Strategic Share Incentive (SSI) rights that were contingent on achieving FY20 strategic initiatives aligned to the long-term strategy presented to shareholders in April of 2019.

Changes to Management Structure

A significant part of our five year strategic plan is to move from a geographic to a global functional structure. This was formally announced with effect from 1 July 2020. At the beginning of the pandemic, both Alistair Field, our Group Managing Director and CEO and Stephen Mikkelsen, our Group CFO were in Australia in advance of Board and shareholder meetings. As the events of the crisis unfolded and countries were closing their borders, it was evident that returning to their homes in the US was problematic. In discussion with the Board, and in recognition of the risks and restrictions associated with travelling during this pandemic, these executives made the decision to remain permanently in Australia, which effectively accelerated our longer-term plan to return the global headquarters to Sydney. With the appointments of John Glyde as Chief Operating Officer, Sims Metals and Michael Movsas as Chief Commercial Officer, Sims Metals, both to be located in Los Angeles, our Rye head office will close. John and Michael will be recognised as KMP for FY21.

As the business environment begins to stabilise the Company's senior management team is re-engaging their focus on highly disciplined capital project initiatives, internal business capabilities and continuous improvement across all aspects of the business. Given this outlook, the Committee believes it is important to maintain sound remuneration policies that are fit-for-purpose to support Sims' business strategies, drive executives' engagement and reward shareholders with positive returns.

I trust this Remuneration Report provides insights into the high priority the Board places on listening and responding to our shareholders while continuously considering local and global market practices, as well as the alignment of our remuneration programs with the Company's execution of its strategies. We are committed to serving your interests and adding sustainable value to you - our shareholders. We hope we can continue to rely on your support at our 2020 Annual General Meeting.

Yours sincerely,

Heather Ridout
Remuneration Committee Chairperson
RemCoChair@simsmm.com

[1] Throughout this Report, unless otherwise stated, all dollar values are expressed in Australian dollars.

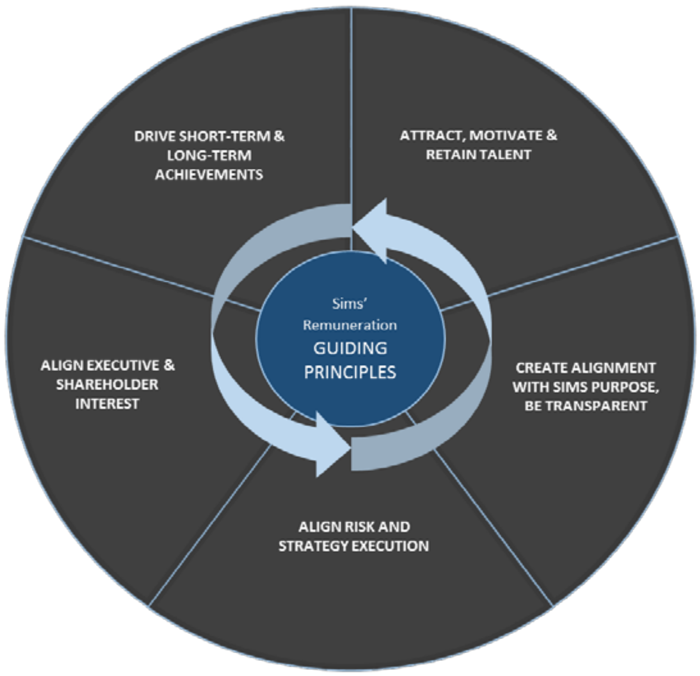
SECTION 2: FY20 EXECUTIVE REMUNERATION STRATEGY AND FRAMEWORK

2.1 EXECUTIVE REMUNERATION PHILOSOPHY AND GUIDING PRINCIPLES

At Sims, our remuneration philosophy is designed to underpin the Company's Purpose, Vision and Strategy and ensure the performance culture of the business is strongly aligned to our overarching objective of delivering sustainable value to our shareholders. Aligning to this philosophy are guiding principles used to evaluate our remuneration design, structure and framework decisions.

Through balanced objectives linked to Group, business unit and individual performance.

Through competitive remuneration reflective of the market, scope of role, geographic location and performance.



Through an emphasis on achieving long-term results through at-risk incentives, and share ownership through deferred equity and holding requirements.

By designing fit-for-purpose programs accounting for our global operations, cyclical industry and market dynamics.

Through an appropriate balanced mix of incentives and metrics aligned to both short-term execution and long-term strategy.

2.2 EXECUTIVE REMUNERATION STRUCTURE AND MIX

Sims' Executive remuneration framework provides the foundation for how remuneration is determined and paid. The framework is aligned with the business' performance objectives, the remuneration guiding principles, and is informed by market practice. The mix of total target remuneration for Executives consists of fixed remuneration for the performance of job duties, short-term incentives for meeting one-year goals to drive improved operations and Company performance, and long-term incentives for achievement of long-term goals and strategic execution.

FIXED
Remuneration

- Base Salary
- Retirement & Welfare Benefits

SHORT-TERM
At-Risk Incentive

- STI Plan
- Financial Metrics
- Strategic Executive Metrics
- Personal Business Metrics

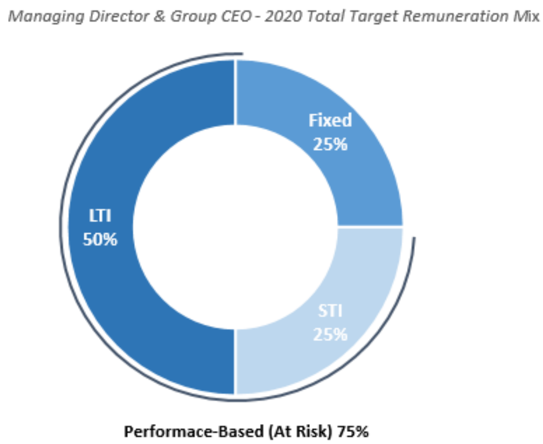
LONG-TERM
At-Risk Incentive

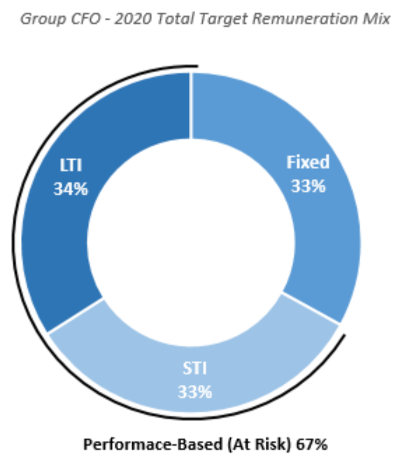
- LTI Plan
- Strategic Execution
- Shareholder Alignment
- Equity Ownership

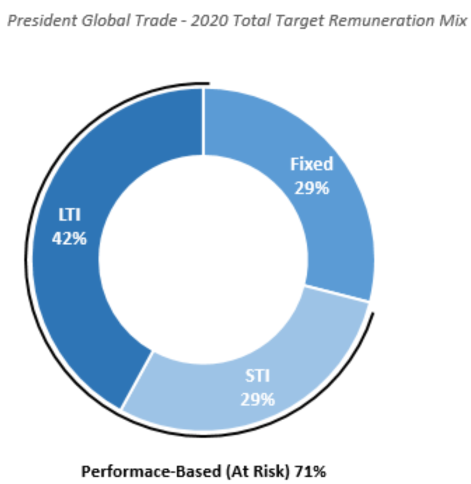
FY20 EXECUTIVE REMUNERATION STRATEGY AND FRAMEWORK

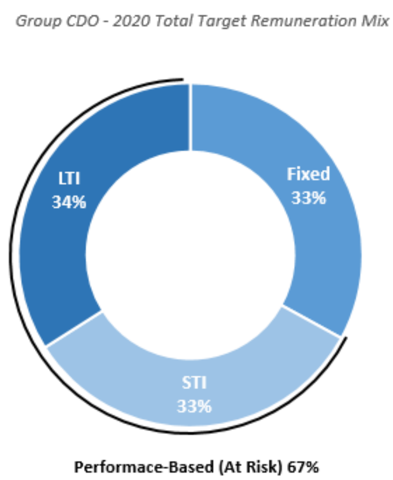
The charts below show the mix of the aggregate remuneration components at target for each of our Executives for FY20. References to actual remuneration outcomes received by the Sims' Executives for FY20 are provided in Section 3.

Remuneration structure and mix for Sims' Executives[1]









[1] Excluding other cash-based and accrued benefits.

2.3 EXECUTIVE REMUNERATION BENCHMARKING

The Committee believes it is important to understand the relevant market for executive talent in order to ensure Sims' remuneration strategy and programs support the guiding principle to attract, retain and develop a pipeline of highly qualified leaders. Sims has adopted a market positioning strategy where the remuneration program design and total remuneration for Executives are benchmarked against a group of peer companies that are listed on the Australian Securities Exchange, New York Stock Exchange and the NASDAQ Stock Market. The Company competes against the peer companies for executive talent across its different business operations and jurisdictions, globally.

Fixed remuneration acts as a base level of pay for ongoing performance of job responsibilities. A competitive level of fixed remuneration is critical to attract and retain executives.

Total fixed remuneration includes base salary and benefits, such as superannuation or other retirement programs, health insurance, life and disability insurance, and automobile allowances where applicable. At-risk remuneration elements are based on annual bonus and performance-based equity incentives.

Fixed and at-risk remuneration at Sims references an appropriate range around the market median (50th percentile) as one input to the Company's remuneration decisions. In addition, other inputs include:

- The geographic reach of the role;
- The complexity of the role;
- Skills and experience required for the role;
- Market pay levels and competitiveness against the benchmark peer group;
- The criticality of the role to successful execution of the business strategy; and
- Market dynamics and cyclicality affecting the industry in which the Company operates.

Executive Benchmarking Peer Group for FY20

The Remuneration Committee, with assistance from its independent remuneration consultants, monitors composition of the peer group to ensure it continues to serve as an appropriate reference for establishing total remuneration for Sims' Executives. The Committee considers companies within our industry or comparable lines of business, complexity of global operations, of a similar revenue size, country listing and industry dynamics. This peer group is used exclusively for benchmarking of executive remuneration, and is not linked to any incentive program.

The Committee determined that for FY20, the 18 companies listed below continue to closely reflect comparable attributes to Sims. No changes were made to this peer group from FY19.

Australian listed companies		
Ansell Limited	BlueScope Steel Limited	Boral Limited
Graincorp Limited	Incitec Pivot Limited	Nufarm Limited
Orica Limited	Orora Limited	Worley Limited
US listed companies		
AK Steel Holding Corporation	Allegheny Technologies Inc.	Cliffs Natural Resources, Inc.
Commercial Metals Company	Reliance Steel & Aluminum Co.	Schnitzer Steel Industries Inc.
Steel Dynamics Inc.	The Timken Company	Worthington Industries, Inc.

2.4 SHORT-TERM INCENTIVE PLAN OVERVIEW FOR FY20

Sims' STI provides senior executives an opportunity to earn an annual cash incentive based on achievement of financial, strategic and individual performance goals over one year. Sims' performance at fiscal year-end is measured against goals established at the beginning of each fiscal year. STI is delivered in September following finalisation of the Company's audited financial results.

Financial Performance Measure

Financial hurdles are established as part of the Company's budget process which includes consideration of the current economic environment. Sims' Board may reassess the effectiveness of the performance measures under the STI annually and may determine to make adjustments to ensure continued alignment to strategy and delivery of appropriate returns to shareholders.

Sims utilised underlying Earnings Before Interest and Taxes (EBIT) as the financial metric for STI awards in FY20. The Board believes the utilisation of underlying EBIT as a reporting metric provided a consistent and comparable year-over-year measure. This improves transparency, line of sight, communication and simplicity. EBIT associated with the disposal of businesses, impact of impairments, restructuring charges, timing of non-qualified hedges and other non-recurring items that are subject to significant variability from one period to the next are excluded from the calculation.

Details of the KMPs' FY20 remuneration outcomes and accomplishments, are provided under Section 3.

Non-Financial Performance Measures

An executive's individual performance is also a component of the STI awards. Individual performance goals (IPGs) are set in a number of key areas which focus on initiatives critical to the overall success of the Company and execution of its strategic initiatives and operating objectives.

The Remuneration Committee established specific criteria for FY20 individual performance goals pertaining to the Group CEO and other Executives of Sims. Individual performance goals for Executives included objectives in the areas of safety, culture, strategy development, organisational capabilities, and risk management. Additional details regarding achievement against goals are provided for each Executive in Section 3.6.

No minimum financial achievement is required for Executives to earn a payout for the achievement of the non-financial component of the STI. However, the Board retains discretion regarding the funding of the non-financial component payouts.

The Group CEO's performance is assessed by the Committee and any earned incentive payment recommendation must be approved by the Board of Directors. The performance of other Executives is reviewed annually by the Group CEO, and recommended payments are considered and, if appropriate, approved by the Committee.

Range of Achievement and Payout Levels

The STI is determined by reference to a range of threshold, target and maximum levels of performance hurdles. The range of financial achievement and potential STI payout opportunity is outlined below. Results between the values are determined on a linear basis.

Group and Business Unit EBIT Achievement	STI Funding Percentage
Below Threshold	0%
At Threshold (50% of Budget)	25%
At Target (100% of Budget)	100%
At or Above Maximum (180% of Budget)	200%

The final STI calculation incorporates the target bonus opportunity and the weighted factors for Group and business units' financial achievements, plus weighting for the achievement level of the individual performance component.

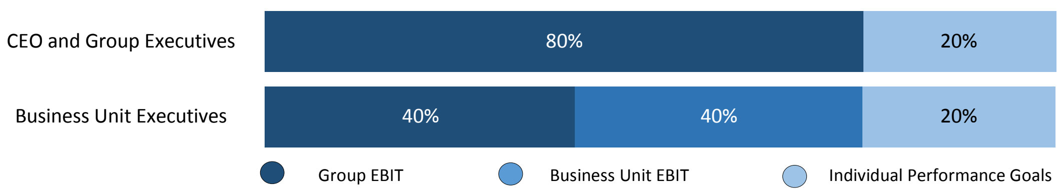
Total Target Incentive Opportunity

The Group CEO and other KMP Executives are eligible to participate in the STI at the following target levels:

Positions	Target Opportunity	Maximum Opportunity
Group CEO/Other KMP Executives	100% of Base Salary	200% of Base Salary

Performance Weightings

The table below outlines financial and non-financial weightings for each Executive, of which 80% is represented by EBIT.



The Board believes these weightings align to the principle of balancing objectives for which Executives are directly accountable and responsible, while retaining a link to Group performance.

Additional STI Plan Rules

Termination: STI performance for the relevant period will be assessed and paid on a pro rata basis for a qualifying employment cessation event (i.e. generally termination due to death, permanent disability, redundancy, or in other circumstances determined at the discretion of the Board). See Section 5.2 for further information on the treatment of an Executive's STI upon termination. A voluntary termination prior to the last calendar day of the financial year will result in no STI award being paid for the year, unless the Committee determines otherwise. STI awards are not payable in the case of termination for cause.

Clawback policy: Sims' Board may exercise clawback provisions related to STI payments in the event of fraud or serious misconduct by Executives, or any other eligible plan participant.

Board discretion: The STI rules provide the Sims' Board with discretion over the level of final payouts of any STI awards to Executives. This may include adjustments to the formulaic outcomes for any performance period with such adjustments disclosed in the relevant Remuneration Report.

Target disclosure: The Company understands the desire for greater transparency of specific targets. However, given the Company's size and position in the industry, the Board believes disclosing detailed financial and/or individual strategic goals would put it at a competitive disadvantage due to commercial sensitivities.

2.5 LONG-TERM INCENTIVE PLAN OVERVIEW FOR FY20

Consistent with the guiding principles, Sims' Board believes the Company's LTI program should serve to align executive and stakeholder interests through share ownership, focusing on Group results through awards of long-term, at-risk, deferred equity while also motivating and retaining its key Executives. The Company's FY20 LTI design encourages strong alignment of Executives' interest with those of the Company's shareholders, as the ultimate reward is dependent upon the Company's financial and share price performance.

Sims' Executives are offered grants in the form of performance rights under the LTI plan. A performance right is a contractual right to acquire an ordinary share for nil consideration if specified performance conditions are met. Performance rights include TSR Rights and Strategic Rights. Details regarding Strategic Share Incentive performance grants are below.

TSR Rights incentivise achievement of higher shareholder returns relative to peer companies in the ASX 200 materials and energy sectors, over the three-year performance period of 1 July 2019 through 30 June 2022. Rights vest after three years, with the quantum subject to attainment of the performance conditions.

Strategic Rights incentivise achievement of the Company's strategic goals over a three-year performance period of 1 July 2019 through 30 June 2022. Rights vest after three years, with the quantum subject to attainment of the performance conditions, and potentially further modified for the Company's Return on Capital (ROC) performance.

SSI Rights incentivise achievement of the Company's strategic goals over a one-year performance period of 1 July 2019 through 30 June 2020, and the subsequent share price performance over the next three to four years after vesting. Earned SSIs vest (subject to escrow requirements) after one year, with the quantum subject to attainment of the performance conditions, in the form of a cash award. The SSI cash award is used to purchase deferred shares at on-market price (after withholding of any required taxes). 50% of the resulting deferred shares are subject to a three-year required holding period, and the remaining 50% are subject to a required four-year holding period.

Sims' long-term incentive awards are approved by the Board and annual grants are made to KMP executives each year in November. The CEO's awards are approved by shareholders at the Company's Annual General Meeting.

All Executives were granted LTI for FY20 in values proportionate as follows:

Positions	TSR Rights	Strategic Rights	SSI Rights
Group CEO & other KMP Executives	22%	45%	33%

The number of TSR Rights granted is determined based on the fair value of the rights at the time of approval by the Committee. The fair value of rights is calculated by Ernst & Young (EY) for the Committee, using the Monte Carlo simulation option pricing model. The Board believes fair value most appropriately reflects the economic value of TSR-based LTI awards to the Executives and is directly aligned to the associated accounting expense. For Strategic Rights, the value per right is based on the face value of the underlying shares. For SSI Rights, the value per right is the full cash value associated with each right (1 right = US$100) and any vesting cash value will be used to buy on-market deferred shares at the date of vesting.

Further details and the Company's rationale for the grants offered under the LTI plan are highlighted throughout the remainder of this section.

TSR Performance Rights (TSR Rights) for FY20 Grants

Relative TSR metric: *(22% of total performance rights based on value). TSR performance is measured over a three-year period.*

- TSR-based grants vest according to relative positioning of the Company's TSR at the end of the performance period.
- TSR ranking must fall at the 50th percentile or higher when compared against the Company's comparator group.

Rationale for TSR metric:

The TSR performance hurdle directly aligns with shareholder's interest as executives are rewarded only when the Company's TSR equals or exceeds the median of the comparator companies.

Comparators for TSR:

The comparator group used to measure TSR performance is the constituent companies as of 1 July 2019 in the ASX 200 materials and energy sectors. This comparator group is made up of companies in related sectors and of similar size to Sims, that are subject to many of the same economic trends as Sims.

TSR Rights vesting schedule:

Sims' TSR relative to TSR of Comparator group	Proportion of TSR Rights Vesting
Below 50th Percentile	0%
At 50th Percentile	50%
Between 50th and 75th Percentile	Straight line between 50% and 100%
At or Above 75th Percentile	100%

TSR measures the growth over a particular period in the Company's share price plus the value of reinvested dividends.

Strategic Performance Rights (Strategic Rights) for FY20 Grants

Strategic Rights goals: *(45% of total performance rights based on value)*. *Strategic Rights goal performance is measured over a three-year performance period.*

- Strategic Rights are subject to both: a) attainment of specific goals and, b) achievement of a ROC performance metric.
- Strategic Rights will vest in a percentage equal to the Strategic Rights Goal Achievement Percentage multiplied by the ROC Achievement Percentage. Sims' Board has full discretion to make adjustments on either the calculation or testing results of the Strategic Rights and ROC measures.

Goal	Measure
Expand metal volumes in favourable geographies	Sales of US ferrous volumes of 5.8 million tonnes in the fiscal year ended 30 June 2022 (FY22)
Grow non-ferrous business	Sales of US non-ferrous volumes of 220,000 tonnes in FY22
Enter resource renewal	Achieve first operational resource renewal facility with capacity of 85,000 tonnes
Grow municipal recycling	Secure additional city municipal recycling contracts
Recycle the cloud	Recycle 100,000 tonnes of cloud material in FY22
Take the LMS Energy business model overseas	Progress toward the Company's announced goals of acquiring or building 50 megawatts of landfill energy by 30 June 2025 outside Australia

FY20 EXECUTIVE REMUNERATION STRATEGY AND FRAMEWORK

Rationale for ROC metric:
- ROC is an acronym for return on capital and defined for this purpose as Earnings before Interest and Tax, divided by Non-Current Assets.
- The ROC performance hurdle measures success of the business in generating a meaningful level of return on capital investments that are consistent with the Company's business strategy and positive return levels to shareholders.

Achievement for ROC metric:

Sims' Average ROC for FY20-FY22	Proportion of Earned Strategic Rights Vesting
10% or Below	70%
Between 10% and 12%	Straight line interpolation
12% or Above	100%

Strategic Share Incentive Rights (SSI Rights) for FY20 Grants

SSI Rights goals: *(33% of total performance rights based on value). SSI Rights are measured over a one-year performance period.*
- Achievement of the SSI Rights goals are subject to the discretion of the Board and final outcomes may be adjusted, or items included or excluded where appropriate to reflect management performance and shareholder expectations.

Weight	Goal	Measure
15%	• Expand metal volumes in favourable geographies	• Sales of US ferrous volumes of 5 million tonnes (including NFSR) • Expansion of operations in order to advance the Company's growth strategy and FY25 goals
15%	• Grow non-ferrous business	• Sales of US non-ferrous volumes of 170 thousand tonnes • Expansion of operations in order to advance the Company's growth strategy and FY25 goals
20%	• Enter resource renewal • Grow municipal recycling	• Progress toward meeting the FY22 goal of an operational resource renewal facility, including the selection of technology • Secure and commence operations for a new city municipal recycling contract for Sims Municipal Recycling
20%	• Recycle the cloud	• Recycle 20,000 tonnes of cloud material
15%	• One Sims	• Achievement of certain success indicators for the Business Transformation Plan
15%	• Take the LMS Energy business model overseas	• Progress toward the Company's announced goals of acquiring or building 50 megawatts of landfill energy by FY25 outside Australia

- Deferred Shares acquired from SSI Rights are subject to a further holding period. During the holding period, shares may not be sold or transferred.

SSI Rights deferred holding schedule:

Deferred Shares	Holding Period Starts	Holding Period Ends
50% of Deferred Shares acquired from SSI Rights	31 August 2020	31 August 2023
Remaining 50% of Deferred Shares acquired from SSI Rights	31 August 2020	31 August 2024

Additional LTI Plan Rules

Dividends: Holders of rights and options are not entitled to dividends over the term of the relevant vesting period (and in the case of options, until exercised). Deferred shares do earn dividends during the holding period, as these shares are fully vested.

Termination of Employment: When a participant voluntarily resigns or is terminated for cause, all unvested awards are forfeited, as all rights and options are subject to a continuous service provision. Where termination of employment is the result of a qualifying cessation (i.e. generally death, permanent disablement, redundancy, retirement, or in other circumstances at the discretion of the Board), a participant will be entitled to his or her unvested awards subject to any performance conditions, in accordance with the original vesting schedule.

Any unvested awards that did not meet the required performance conditions will lapse at the end of the relevant performance period.

Clawback policy: Sims' Board may exercise clawback provisions related to LTI payments and future vesting in the event of fraud or serious misconduct by Executives, or any other eligible plan participant.

Change of Control: The Board has the discretion to immediately vest the rights and options prior to their vesting date if there is a change of control event. The rights and options will immediately vest in the event that a takeover bid of the Company is recommended by the Board, or a scheme of arrangement concerning the Company, which would have a similar effect to a full takeover bid, is approved by the Company's shareholders.

SECTION 3: FY20 COMPANY PERFORMANCE/EXECUTIVE REMUNERATION OUTCOME

3.1 SIMS' FINANCIAL PERFORMANCE RESULTS

Year-on-Year Performance

FY20 was one of the most difficult in the Company's history. Margins for the first half were severely compressed by the rapid collapse in ferrous scrap prices in September 2019, combined with historically low zorba prices. The second half of FY20 was further impacted by the COVID-19 global pandemic. Scrap prices fell sharply as global demand for ferrous and non-ferrous products contracted. Intake tonnes also fell abruptly as facilities in the UK and New Zealand were closed completely (due to Government mandates) for a period of time. Intake volumes in Australia and North America also fell due to a combination of lower scrap prices providing less incentive for Sims' suppliers to sell scrap and restrictions on collection activities as States attempted to control the spread of the virus.

Ferrous and non-ferrous proprietary sales volumes were down 19.4% and 10.3% year on year respectively. The combined impact of the first half scrap price collapse and the volume reduction in the second half from COVID-19 related issues was to reduce underlying EBIT to a loss of $57.9 million. FY20 statutory EBIT loss was $239.1 million; impacted by intangible and tangible asset write-offs, redundancy and restructuring costs, and additional environmental provisions

The following table provides a summary of the results over the past five years.

	Financial Year				
	2020[1]	**2019**	**2018**	**2017**	**2016[1]**
Statutory (loss)/profit before interest and tax (A$m)	(239.1)	225.0	278.6	201.2	(215.5)
Statutory diluted (loss)/earnings per share (A¢)	(131.2)	74.2	98.7	101.6	(106.8)
Statutory (loss)/return on shareholders' equity	(13.4%)	6.6%	9.3%	10.3%	(11.8%)
Net cash (A$m)	110.4	347.5	298.1	373.0	242.1
Return on productive assets[2]	(3.0)%	12.2%	16.5%	12.0%	4.0%
Underlying (loss)/profit before interest and tax (A$m) [3]	(57.9)	230.3	275.1	180.1	64.0
Total dividends paid (A$m)	50.6	107.9	106.8	63.2	46.8
Share price at 30 June (A$)[4]	7.93	10.86	16.08	15.18	7.82

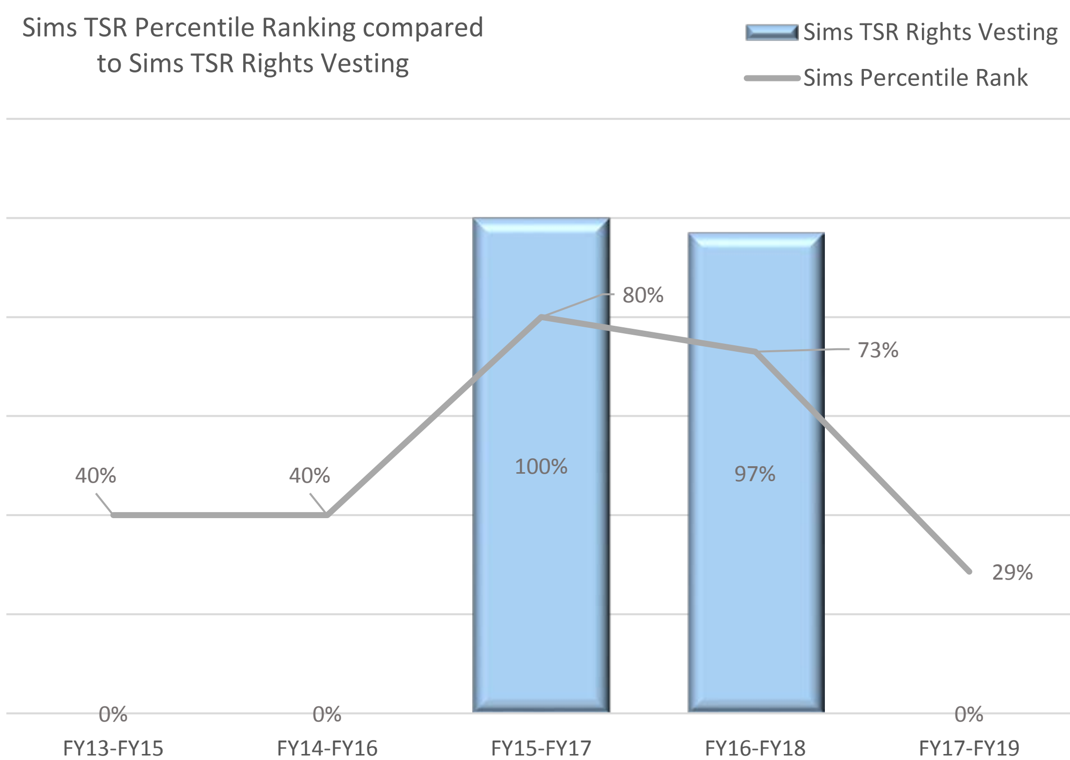
1 FY20 reflects goodwill and other intangible impairment charges of A$72.0 million and FY16 reflects goodwill and other intangible impairment charges of A$53.0 million. There were no intangible impairment charges in FY19, FY18 or FY17.
2 Underlying EBIT / average of opening non-current assets and ending non-current assets excluding assets relating to adoption of AASB 16 *Leases*.
3 Underlying EBIT is a non-IFRS measure that is presented to provide an understanding of the underlying performance of the Group. The measure excludes the impacts of impairments, disposals as well as items that are subject to significant variability from one period to the next. Refer to the *Reconciliation of Statutory Results to Underlying Results* within the *Operating and Financial Review* section of the Directors' Report for further detail.
4 1 July 2015 share price was A$10.31.

FY20 COMPANY PERFORMANCE/EXECUTIVE REMUNERATION OUTCOMES

3.2 TOTAL RETURN TO SHAREHOLDERS

Sims Total Shareholder Return – Sims TSR Rights Vesting

The chart below compares Sims relative TSR percentile rank to the vesting of Sims TSR Rights over the previous five performance periods:



3.3 EXECUTIVE STATUTORY REMUNERATION TABLE

Executive Statutory Remuneration

The following Executive Statutory Remuneration table has been prepared in accordance with the accounting standards and has been audited by the Company's external auditors:

			Short-term benefits			Post-employment benefits		Share-based payments[5]	
(A$) Name	Location	Financial Year	Cash salary[1]	Cash bonus[2]	Other benefits[3]	Pension and superannuation	Other long-term benefits[4]	LTI	Total
A Field[6]	USA[7]	**2020**	**1,755,668**	**-**	**500,980**	**-**	**14,392**	**1,944,832**	**4,215,872**
		2020[8]	1,648,148	-	470,299	-	13,511	1,825,727	3,957,685
		2019	1,607,945	915,176	398,979	-	14,391	2,199,394	5,135,885
S Mikkelsen[6]	USA[7]	**2020**	**1,191,945**	**-**	**269,159**	**-**	**1,684**	**621,435**	**2,084,223**
		2020[8]	1,118,948	-	252,675	-	1,581	583,377	1,956,581
		2019	1,090,613	655,213	367,651	-	-	580,508	2,693,985
W Schmiedel[6,9]	USA	**2020**	**1,457,690**	**-**	**21,621**	**18,766**	**47,148**	**2,175,398**	**3,720,623**
		2020[8]	1,368,419	-	20,297	17,617	44,261	2,042,173	3,492,767
		2019	1,335,042	751,326	29,241	17,303	6,991	1,889,531	4,029,434
S Skurnac[6]	USA	**2020**	**1,005,362**	**-**	**62,925**	**17,222**	**26,475**	**623,021**	**1,735,005**
		2020[8]	943,792	-	59,071	16,167	24,854	584,866	1,628,750
		2019	943,792	557,283	59,547	17,617	6,991	853,321	2,438,551
		2020	**5,410,665**	**-**	**854,685**	**35,988**	**89,699**	**5,364,686**	**11,755,723**
Total		*2020*[8]	5,079,307	-	802,342	33,784	84,207	5,036,143	11,035,783
		2019	4,977,392	2,878,998	855,418	34,920	28,373	5,522,754	14,297,855

1 Cash salary includes amounts sacrificed in lieu of other benefits at the discretion of the individual.

2 Cash bonus amounts for FY19 reflect the amounts provided for all Executives under the FY19 STI plan. No amounts were provided for Executives under the FY20 STI plan.

3 Other short-term benefits include employer contributions to health and life insurance plans, cost of living allowances, relocation expense and associated tax gross-ups, and increased movements in the amounts accrued for annual leave during the period.

4 Other long-term benefits include Australian accrued long-term leave (for Messrs Field and Mikkelsen) and amount for deferred compensation plans (for Messrs Schmiedel and Skurnac).

5 Share-based payments represent the accounting expense (as computed pursuant to AASB 2 *Share-based Payments*) recognised by the Company for share-based awards and for long-term incentive SSI cash awards. Mr Schmiedel ceased employment with the Group on 30 June 2020 which was determined to be a "Qualifying Cessation" in accordance with the LTI plan rules. The maximum value of the unvested awards was fully expensed in FY20.

6 Executives received their cash payments in United States dollars, except for the June 2020 cash salary for Mr Mikkelsen following his relocation to Australia, which was paid in Australian dollars.

7 Messrs Field and Mikkelsen each relocated to Australia effective 1 July 2020 and 1 June 2020 respectively.

8 The FY20 remuneration has been translated on a constant currency basis for a relative performance comparison to FY19 before the translation impact of currency fluctuations. The current period amounts paid in US dollars are translated into Australian dollars using the prior year US dollar exchange rate.

9 Mr Schmiedel retired from the Company effective 30 June 2020. Refer to section 5.2 for details regarding benefits received upon retirement by Mr Schmiedel.

3.4 SUPPLEMENTAL REMUNERATION TABLE

Total Realised Remuneration received by Executives in FY20[1]

As part of the Company's commitment to clear and transparent communication with its shareholders, the Committee has included the table below showing the remuneration that was actually paid to Executives in FY20. The figures in this table include the market value of LTI grants that vested during FY20, while the section 3.3 table includes the accounting value for LTI grants recognised during FY20, regardless of the date on which they vest

		Cash salary$	Other Benefits	STI		LTI		Total Remuneration		
Executives (A$) [2]	Year	Actual$	Actual$ [3]	Actual$ [4]	Target [5]	Act Vested$ [6]	Target	Actual $	Target	Actual total remuner-ation as % of target total remuner-ation
A Field	**FY20**	**1,755,668**	**406,544**	**-**	**1,755,668**	**886,124**	**3,511,336**	**3,048,336**	**7,429,216**	**41%**
	FY20[7]	*1,648,148*	*381,647*	*-*	*1,648,148*	*831,857*	*3,296,297*	*2,861,652*	*6,974,240*	*41%*
	FY19	1,607,945	256,798	915,176	1,607,945	1,458,924	3,215,884	4,238,843	6,688,572	63%
S Mikkelsen	**FY20**	**1,191,945**	**276,474**	**-**	**1,191,945**	-	**1,191,945**	**1,468,419**	**3,852,309**	**38%**
	FY20[7]	*1,118,948*	*259,542*	*-*	*1,118,948*	-	*1,118,948*	*1,378,490*	*3,616,386*	*38%*
	FY19	1,090,613	313,163	655,213	1,090,613	-	1,090,613	2,058,989	3,585,002	57%
W Schmiedel	**FY20**	**1,457,690**	**99,596**	**-**	**1,457,690**	**1,830,570**	**2,186,534**	**3,387,856**	**5,201,510**	**65%**
	FY20[7]	*1,368,419*	*93,497*	*-*	*1,368,418*	*1,718,463*	*2,052,627*	*3,180,379*	*4,882,961*	*65%*
	FY19	1,335,042	53,534	751,326	1,335,042	2,395,853	2,002,538	4,535,755	4,726,156	96%
S Skrunac	**FY20**	**1,005,362**	**70,211**	**-**	**1,005,362**	**772,551**	**1,005,362**	**1,848,124**	**3,086,297**	**60%**
	FY20[7]	*943,792*	*65,911*	*-*	*943,792*	*725,239*	*943,792*	*1,734,942*	*2,897,287*	*60%*
	FY19	943,792	48,469	557,283	943,792	1,076,039	943,792	2,625,583	2,879,845	91%

[1] The figures in the table are different from those shown in the Executive Statutory Remuneration table in Section 3.3. The table in Section 3.3 is consistent with financial statement recognition and measurement, and includes an apportioned accounting value for all unvested STI and LTI grants during or after FY18 (some of which remain subject to satisfaction of performance and service conditions and may not ultimately vest).

[2] All Executives received their cash payments in US dollars, except for the June 2020 cash salary for Mr Mikkelsen following his relocation to Australia, which was paid in Australian dollars.

[3] Other Benefits include employer contributions to defined contribution retirement plans, health and life insurance plans, cost of living allowances and relocation expenses and associated tax gross-ups.

[4] Actual STI refers to the Executive's total STI provided for in FY19 and paid in FY20. No STI was provided for in FY20 to be paid in FY21.

[5] For the definition of target STI, refer to Section 2.4.

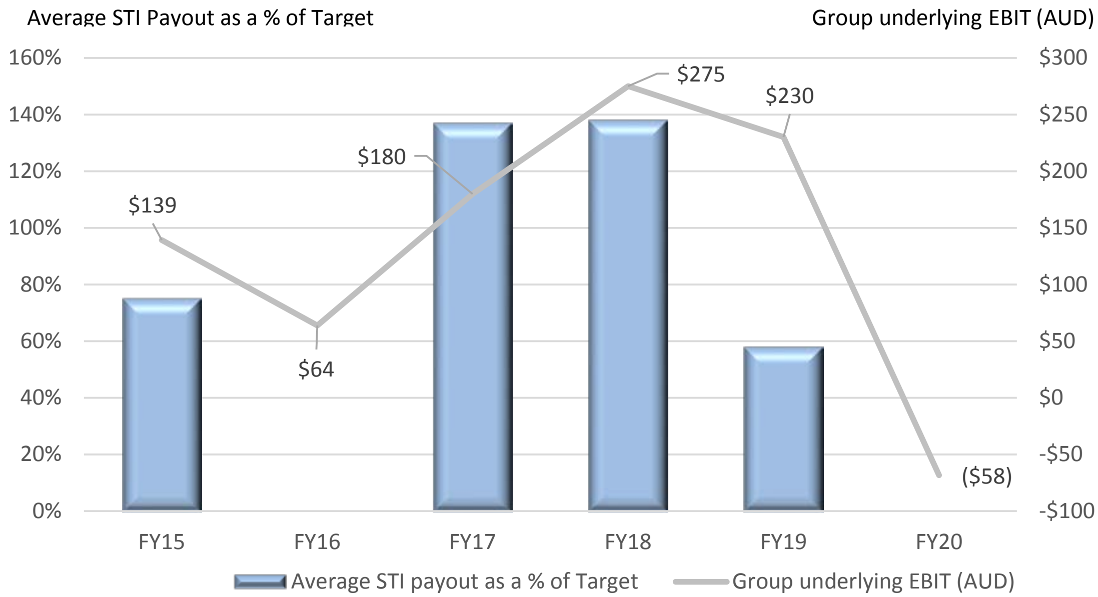
[6] Actual vested LTI refers to equity grants from prior years that vested during FY20. These include share options and share rights that vested 30 August 2019 and 31 August 2019, respectively. The value is calculated using the Company's closing share price on the day of vesting after deducting any exercise price.

[7] The FY20 remuneration has been translated on a constant currency basis for a relative performance comparison to FY19 before the translation impact of currency fluctuations. The current period amounts paid in US dollars are translated into Australian dollars using the prior year US dollar exchange rate.

3.5 HISTORICAL AVERAGE STI PAYOUT AS % OF TARGET

Average Executive STI Payout (as a % of target) compared to Sims' EBIT performance

Sims' statutory EBIT over the past five years is shown in the chart below. The chart confirms that historical average STI outcomes for Executives are aligned with the Company's financial results. Prior to FY20, ROCCE was the financial metric under the STI program.



3.6 REMUNERATION OUTCOME FOR SIMS EXECUTIVES

At the beginning of FY20, as part of the annual remuneration review process, the Committee approved the various remuneration payments for Sims' Executives. Remuneration outcomes for each KMP are set out within this section.

In line with its annual remuneration review, in 2019 the Board reviewed and approved a 1 September 2019 increase in salary for the CEO and other KMP Executives as follows:

- Mr Field received a base salary increase of 3.0%
- Mr Mikkelsen received a base salary increase of 3.5%
- Mr Schmiedel received a base salary increase of 3.0%
- Mr Skurnac did not receive an increase in base salary

On 1 June 2020, Mr Mikkelsen relocated to Australia. At that time, his base salary was converted from US dollars to Australia dollars, using an average of recent exchange rates.

On 1 July 2020, Mr Field relocated to Australia. At that time, his base salary was converted from US dollars to Australia dollars, using an average of recent exchange rates.

An Executive's STI payout is based on two fundamental factors: how well the Company performed and how well the individual Executive performed against pre-established goals.

In light of the business, economic and financial conditions experienced during the COVID-19 pandemic, at the recommendation of management, the Board exercised its discretion to reduce all Executives' STI awards to zero for FY20. This includes any achieved individual goals which otherwise were eligible for payment independent of the Company's EBIT performance.

FY20 Short Term Incentive Outcomes

The Short Term Incentive individual goals for the Executives included specific initiatives and targets around the advancement of several key areas of focus for the Company. For FY20, each Executive could have one or more of the following goals with specified achievement expectations for their area of business unit responsibility, functional responsibility and/or leading a global initiative for Sims:

- Safety, Health, Environment, Community & Sustainability (SHECS) framework & systems alignment for Sims
- Complete a structured DuPont safety culture assessment with action plans to improve identified gaps
- Drive the Sims Purpose Narrative into the cultural framework by aligning talent processes and behaviors with Long-term strategy & purpose
- Execution of FY20 milestones for the implementation of new global human capital management system in alignment with the global enterprise system program
- Embed the improved risk management and governance framework across Sims and complete a risk culture audit for NAM and ANZ regions.
- Reduce operational systems risk by meeting FY20 program deadlines for the ERP implementation plan.
- Embed continuous improvement methodology into regions with cost improvement targets by region and/or facility

The Board evaluates and approves the achievement level of the CEO against his individual goals. The CEO evaluates the other Executives and presents his assessments and recommendations to the Board for approval.

As discussed earlier in this report, management and the board agreed to forfeit any entitlement to STI for FY20. Although no bonus was paid, there were significant achievements made towards the individual performance goals for each Executive before and during the global pandemic crisis. In addition, the board acknowledges that the significant efforts and actions employed by the Executives to manage the business through the pandemic are not reflected in the incentive outcomes.

LTI Performance Outcomes for Performance Periods ending 30 June 2020

FY18 Return on Invested Capital (ROIC) Performance Rights

ROIC performance-based rights were tested for achievement at the end of the three-year performance period ending 30 June 2020, and did not meet the threshold vesting criteria and therefore nil rights will vest.

FY18 TSR Performance Rights

TSR performance-based rights were tested for achievement at the end of the three-year performance period ending 30 June 2020, and did not meet the threshold vesting criteria and therefore nil rights will vest.

FY20 Strategic Share Incentives Outcomes

The Board established a set of metrics that underpin the performance criteria for achievement of the SSI Rights portion of the LTI Program. These metrics represent key near-term objectives directly aligned to the strategic goals presented to shareholders in April 2019 that are designed to deliver sustainable growth and value over the long-term. While the specific details of those goals and the progress made thereto may be commercially sensitive, a summary of the measures and progress the Board considered in its assessment of achievement is set out below.

SSI Incentive Measure & Weighting	Target	Achievement / Commentary	Achievement
Expand metal volumes in favourable geographies **Weighting = 15%**	Sales of US ferrous volumes of 5 million tonnes (including NFSR) Expansion of operations in order to advance the Company's growth strategy and FY2025 goals	US ferrous sales volumes did not meet targeted growth. Expansion strategy fully executed according to plan with five new feeder yards established and operational in key locations. These sites will be important contributors towards achieving our 3-5 year strategic volume goals.	**Partial Achievement**
Grow non-ferrous business **Weighting = 15%**	Sales of US non-ferrous volumes of 170 thousand tonnes Expansion of operations in order to advance the Company's growth strategy and FY2025 goals	Although sales volume growth was on plan, the Covid pandemic negatively impacted sales volumes and therefore the US non-ferrous sales volumes did not meet targeted growth. Expansion strategy fully executed according to plan with three new feeder yards established and operational in key locations. These sites will be important contributors towards achieving our 3-5 year strategic volume goals	**Partial Achievement**
1) Enter resource renewal **2) Grow municipal recycling**	1) Progress toward meeting the goal of an operational resource renewal facility, including the selection of technology	1) Key milestones met as follows a) Feasibility studied completed b) Technologies selected c) Government engagement commenced d) Capital proposal for design phase of commercial energy	**Full Achievement of both Measures**

Weighting = 20%	2) Secure and commence operations for a new city municipal recycling contract for Sims Municipal Recycling	recovery facility approved by the Board e) EPA regulatory process underway f) Selection of Campbellfield as the preferred location for the first resource renewal facility 2) The Company stayed on track with its growth of the municipal recycling business by successfully winning a new business contract for the management of the Palm Beach County, Florida MRF.	
Recycle the cloud **Weighting = 20%**	Recycle 20k tonnes of cloud material	Exceed the target tonnage for recycling of cloud material. In addition, SLS secured several new or expanded cloud server client contracts.	**Full Achievement**
One Sims **Weighting = 15%**	Achievement of certain success indicators for the Business Transformation Plan .	Management completed the planned business transformation milestones including but not limited to: 1) Global ERP systems selected, negotiated and contracted 2) Global ERP integration partners selected negotiated and contracted 3) Internal and external teams nominated, vetted, selected and mobilised 4) Project plan with external integration partner developed and approved. Management completed the development of an analysis-backed strategy and business model, including a future-state functionally aligned organisation model.	**Full Achievement**
Sims Energy business development **Weighting = 15%**	Progress toward the Company's announced goal of acquiring or building 50 megawatts of landfill energy by fiscal year 2025 outside Australia	Despite extensive feasibility and expansion target research, none of the identified expansion opportunities presented met Sims' targeted IRR values.	**Not Achieved**
Total Target **100%**			**Overall Performance** **Partial Achievement**

The earned portion of the SSI Rights remain subject to continued employment conditions and therefore will not vest until 31 August 2020. SSI Rights that have vested will be used to purchase deferred shares subject to a holding requirement of 50% for three years and 50% for four years. The accounting expense is reflected in the Executive Statutory Remuneration table under Section 3.3.

The Company maintains its commitment to reward Executives based on Sims' current remuneration structure and philosophy. The KMP's remuneration reflected in the snapshots on the following pages reflect the Committee's overall view of the Company's strategic direction and financial performance, as well as business challenges and opportunities that arose during FY20.

The FY20 LTI Earned reflects the value of the awards from prior years that vested and were paid during FY20. Grant values were calculated using the Company's closing share price on the day of vesting after deducting any exercise price. Other remuneration reflects cash benefits received by the KMP and does not include accrued benefits or other long-term benefits.

MANAGING DIRECTOR & GROUP CEO - REALISED REMUNERATION SNAPSHOT

Managing Director & Group CEO - ALISTAIR FIELD

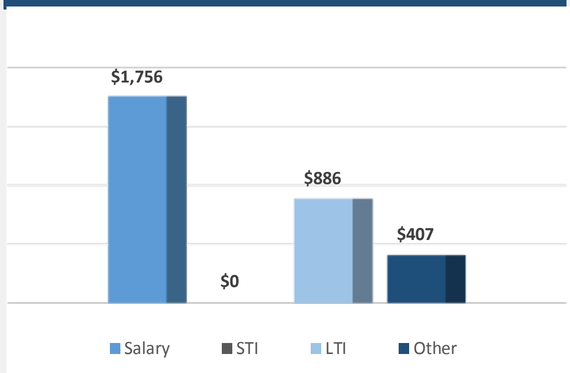
FY20 STI Earned (AUD $000)

Actual	**$0**
% of Target / % of Maximum	**0% / 0%**
Measures/Weights	**80% Group Target EBIT**
	20% IPG

FY20 LTI Earned (AUD $000)

	Vested %	Value $
Restricted Share Units	**100%**	**$431**
Share Options	**100%**	**$37**
TSR Performance Rights	**90%**	**$419**
ROIC Performance Rights	**0%**	**$0**
Total LTI Earned		**$886**

Realised FY20 Remuneration (AUD $000)



$3,048 Total Earnings

FY20 vesting	Shares Earned	Shares Forfeited
FY17 Restricted Share Unit (RSU) granted 13 September 2016 (2nd tranche) vested on 31 August 2019	37,474	-
Share Options vested on 30 August 2019 (3rd tranche of FY17 grant and 2nd tranche of FY18 grant and 1st tranche of FY19) in accordance with terms of each respective grants	212,286	-
FY17 TSR-based Performance Share Unit (PSU) award partially vested on 31 August 2019	36,460	4,051
FY17 ROIC-based PSU award did not meet performance expectations and no shares vested on 31 August 2019	-	60,834

Responsibilities:
Mr Field was appointed Group Chief Executive Officer and Managing Director of the Company on 3 August 2017 and has overall responsibility for implementing the Sims purpose and leading the development and execution of the organisation's long-term growth strategy with the goal of increasing shareholder value.

He is a member of the SHECS Committee, the Nomination/Governance Committee and the Risk Committee. Additionally, Mr Field was also invited to join the World Business Council for Sustainable Development, a global CEO-led organisation of more than 200 leading businesses working to accelerate the transition to a sustainable world.

Mr Field is a highly experienced executive with a proven track record of leading organisations through business transition and improvement. He has worked internationally and held residence in Australia, Canada, South Africa, Saudi Arabia and The United States.

GROUP CFO - REALISED REMUNERATION SNAPSHOT

Group Chief Financial Officer - STEPHEN MIKKELSEN

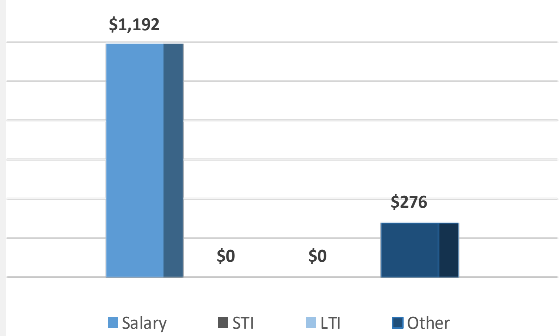
FY20 STI Earned (AUD $000)

Actual	**$0**
% of Target / % of Maximum	**0% / 0%**
Measures/Weights	**80% Group Target EBIT**
	20% IPG

FY20 LTI Earned (AUD $000)

	Vested %	Value $
Restricted Share Units	**NA**	
Share Options	**100%**	**$0**
TSR Performance Rights	**NA**	
ROIC Performance Rights	**NA**	
Total LTI Earned		**$0**

Realised FY20 Remuneration (AUD $000)



$1,468 Total Earnings

FY20 Vesting	Shares Earned	Shares Forfeited
Share Options vested on 30 August 2019 (reflect 2nd tranche of FY18 equity grant and 1st tranche of FY19) in accordance with terms of the respective grant, with an exercise price above the market price on the date of vesting.	51,700	-

Responsibilities:
Mr Mikkelsen has been serving in the role of Group Chief Financial Officer since January 2018. He works closely with the executive leadership team to drive the development of the Company's operating and strategic agenda. Mr Mikkelsen plays an integral role in Sims' continuous improvement, integration, business transformation and capital reinvestment growth initiatives.

With more than three decades of finance experience, Mr Mikkelsen has oversight of Sims' global corporate finance function, including treasury, accounting, financial planning, taxation, investor relations, as well as information technology.

Mr Mikkelsen has an expansive experience in finance and executive management. He is a chartered accountant and a member of Chartered Accountants Australia & New Zealand.

PRESIDENT GLOBAL TRADE - REALISED REMUNERATION SNAPSHOT

President Global Trade - WILLIAM SCHMIEDEL

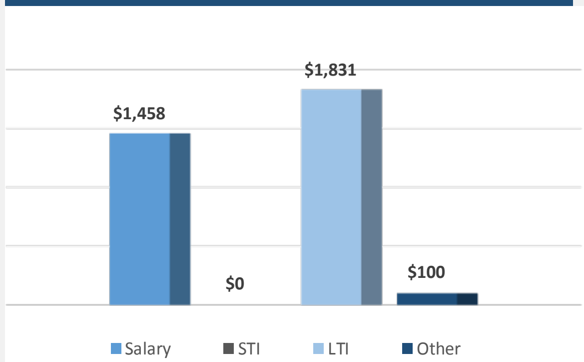
FY19 STI Earned (AUD $000)

Actual	**$0**
% of Target / % of Maximum	**0% / 0%**
Measures/Weights	**80% Group Target EBIT**
	20% IPG

FY19 LTI Earned (AUD $000)

	Vested %	Value $
Restricted Share Units	**100%**	**$775**
Share Options	**100%**	**$85**
TSR Performance Rights	**90%**	**$971**
ROIC Performance Rights	**0%**	**$0**
Total LTI Earned		**$1,831**

Realised FY20 Remuneration (AUD $000)



$3,388 Total Earnings

FY20 vesting	Shares Earned	Shares Forfeited
FY17 Restricted Share Unit (RSU) granted 13 September 2016 (2nd tranche) vested on 31 August 2019	67,454	-
Share Options vested on 30 August 2019 (3rd tranche of FY17 grant, 2nd tranche of FY18 grant and 1st tranche of FY19 grant) in accordance with terms of each respective grants	195,509	-
FY17 TSR-based Performance Share Unit (PSU) award partially vested on 31 August 2019	84,479	9,387
FY17 ROIC-based PSU award did not meet performance expectations and no shares vested on 31 August 2019	0	140,956

Responsibilities:

As previously disclosed, Mr Schmiedel retired 30 June 2020. During the reporting period, he served as President Global Trade, focused on developing the strategy and leading the structure and execution of the Company's export sales. He was responsible for all ferrous and non-ferrous export sales – both deep sea and container exports – from all of Sims' entities globally, as well as domestic sales in North America.

Mr Schmiedel also led Sims' global trading business with responsibility for all third party transactions for ferrous scrap, iron and semi-finished steel products.

With an extensive career in the recycling industry, Mr Schmiedel dedicated his time to industry organisations, such as the Bureau of International Recycling (BIR) where he served on the governing board. He also served as the President of BIR's ferrous board and successfully worked to improve the relationship between BIR and the Institute of Scrap Recycling Industries.

GROUP CDO - REALISED REMUNERATION SNAPSHOT

Group Chief Development Officer - STEPHEN SKURNAC

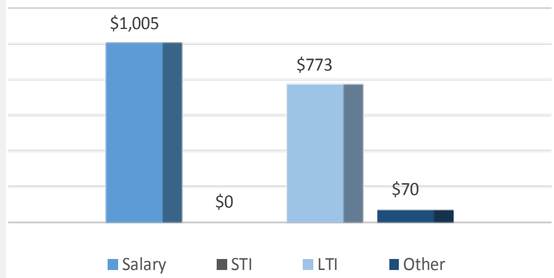
FY20 STI Earned (AUD $000)

Actual	**$0**
% of Target / % of Maximum	**0% /0%**
Measures/Weights *	**80% Group Target EBIT**
	20% IPG

FY19 LTI Earned (AUD $000)

	Vested %	Value $
Restricted Share Units	**100%**	**$323**
Share Options	**100%**	**$36**
TSR Performance Rights	**90%**	**$414**
ROIC Performance Rights	**0%**	**$0**
Total LTI Earned		**$773**

Realised FY20 Remuneration (AUD $000)



$1,848 Total Earnings

FY20 vesting	Shares Earned	Shares Forfeited
FY17 Restricted Share Unit (RSU) granted 13 September 2016 (2nd tranche) vested on 31 August 2019	28,106	-
Share Options vested on 30 August 2019 (3rd tranche of FY17 grant, 2nd tranche of FY18 grant and 1st tranche of FY19 grant) in accordance with terms of each respective grants	88,218	21,042
FY17 TSR-based Performance Share Unit (PSU) award partially vested on 31 August 2019	35,985	3,998
FY17 ROIC-based PSU award did not meet performance expectations and no shares vested on 31 August 2019	-	60,042

Responsibilities:

As Group Chief Development Officer, Mr Skurnac is responsible for identifying and developing new growth opportunities for Sims through new lines of business, expanding and transforming our current business units, our Australia-based joint venture energy recovery business LMS Energy, and our US-based Sims Municipal Recycling. He works closely with the Chief Executive Officer to achieve the Company's revenue goals by growing and gaining market share.

Mr Skurnac serves on the board of numerous industry associations. He is also a key contributor to major cooperative e-scrap policy groups, including the Environmental Protection Agency's Common Sense initiative, the National Product Stewardship Initiative (NEPSI), and UN Basel Workgroup standards development.

SECTION 4: FY21 EXECUTIVE REMUNERATION STRATEGY AND FRAMEWORK

4.1 REMUNERATION FRAMEWORK LINK TO CORPORATE STRATEGY

In 2019, the Company outlined to shareholders a number of global strategies for its businesses to support its purpose of creating a world without waste to preserve our planet. As disclosed last year, a number of incentive structures were changed to ensure alignment with the Company's purpose and sustainability objectives, support the long-term strategy, and to reflect feedback from key stakeholders. The Company intends to continue with the execution of the previously announced strategy.

Therefore, for FY21, there will be only minor changes to the remuneration framework with the emphasis remaining on a balanced delivery of the Company's business strategy with shorter-term key financial and operational objectives by aligning overall incentive outcomes based on:

- achieving multi-year goals tied to the Company's business strategy
- growing the business and delivering on earnings targets
- linking a significant portion of executives' remuneration to "at risk" incentives
- maintaining a portion of the incentives to relative total shareholder return performance
- increasing executive and shareholder alignment by requiring certain earned incentives to be delivered in shares and held for up to four years

4.2 CHANGES TO SIMS' REMUNERATION FRAMEWORK FOR FY21

The financial metrics for the STI incentive will include targets for: underlying EBIT, gross margin per tonne, fixed costs, sustaining capital expenditures, and cash conversion. Together these financial metrics provide an appropriate balance that will be important in managing Sims through the uncertain business conditions as the COVID-19 pandemic crisis continues to unfold.

The interaction between these financial measures, and their relative importance, is set out below.

Financial Metric	FY21 Weighting	Rationale
Underlying EBIT	55%	Underlying EBIT has been a consistent measure of management performance for a number of years. Over the medium term, good business decisions will result in increased EBIT, despite short term fluctuations due to commodity cycles. Reflecting its importance, underlying EBIT has the same weighting as all the other financial measures combined.
Gross Margin per Tonne	15%	There will always be a trade-off between volume and margin in a commodity business. At the current depressed prices and volumes, it is particularly important to focus on buy/sell price differential.
Fixed Costs	15%	One of the main mitigants, largely within management's control, to combat the current depressed market conditions is to reduce costs. In particular, fixed costs and/or those costs that are predominantly fixed in nature.
Cash Conversion	15%	The preservation of working capital through shortening the cycle between purchase cost and cash receipt will further strengthen the balance sheet.

All other aspects of the incentives framework will be consistent with the FY20 design.

SECTION 5: EXECUTIVE REMUNERATION GOVERNANCE AND DISCLOSURE TABLES

5.1 REMUNERATION GOVERNANCE

The Committee assists the Board in fulfilling its oversight responsibility relative to the integrity of the Company's remuneration framework, and works closely with other Board Committees to ensure the Company's policies and procedures on risk management, organisational culture, and Board effectiveness are consistent with the long-term best interests of the Company and its shareholders.

BOARD

The Sims' Board has responsibility for the Company's executive remuneration programs which include:
- Establishing remuneration philosophy and guiding principles
- Oversight of remuneration practices and policies
- Reviewing and approving recommendations from the Remuneration Committee

REMUNERATION COMMITTEE

The Committee includes 5 independent NEDs and advises the Board on:
- Remuneration strategy, framework, performance goals, recruitment, retention, termination and NED fees and framework
- Considers recommendations from Sims' management in making remuneration decisions based on the Company's remuneration guiding principles

MANAGEMENT

Sims' management provides information relevant to remuneration decisions and makes recommendations to the Committee on:
- Remuneration structure , policies and market trends
- Remuneration recommendations

REMUNERATION CONSULTANT

- The Remuneration Committee may, at its discretion, select independent consultants to provide advice and information relevant to make informed remuneration decisions.

For the purposes of the Corporations Act no remuneration recommendations in relation to KMP were provided by the Remuneration Consultant or other advisor during FY20.

5.2 EXECUTIVE CONTRACTS

Termination Entitlements under Executive Contracts

The table below outlines termination provisions for the Group CEO and other KMP, in accordance with formal contracts of a continuing nature with no fixed term of service. For FY20, there were no changes to the terms of the contacts for Executives reported in this year's Remuneration Report. These Termination Entitlements were approved by shareholders at the Company's 2014 Annual General Meeting.

Termination Entitlements if Terminated by the Company or by the Executive for good reason		Group CEO and Other Executives
Notice Period	-	3 months; provided by either the CEO or the Board
Fixed Remuneration	-	12 months of fixed remuneration
STI	-	Pro-rata STI payment subject to performance testing and Board discretion based on Executive performance
LTI	-	Eligible for continued vesting of LTI awards, subject to performance testing and original vesting
Other Entitlements	- -	Eligible for any accrued but unpaid remuneration (leave and accrued benefits) Up to 12 months Company paid health insurance premiums
Termination due to Death or Permanent Disability or Other Circumstances at the Board's discretion	-	Entitlements as shown above relating to treatment of Fixed Remuneration, Treatment of STI, Treatment of LTI and Treatment of Other Entitlements

Benefits received upon retirement by Mr Schmiedel

Upon his retirement on 30 June 2020, Mr Schmiedel was entitled to receive lump-sum payments of A$1,424,677, equal to 12 months of total fixed remuneration, A$145,207 for accrued vacation and A$73,621 for health insurance premiums. He did not receive an STI award for the FY20 performance period.

Based on the Company's LTI plan rules for separation from the Company due to retirement, the Board approved that Mr Schmiedel's outstanding performance-based awards will remain eligible to vest on the scheduled vesting date, subject to meeting original performance conditions. Share options previously granted under the LTI Plan that have vested will continue to be exercisable until their original expiration dates.

Consultant Agreement between Mr Schmiedel and Sims Limited

On 1 July 2020, the Company entered into a consulting arrangement with Mr Schmiedel. Mr Schmiedel will serve as a Senior Advisor to our CCO, Global Metals on key matters that relate to the Company's global trade business. Mr Schmiedel's deep knowledge of the business, its global operations, as well as his relationships with clients, peers and industry leaders, will ensure an orderly and successful business transition and leadership continuity within the Global Trade business group. Under the terms of Mr Schmiedel's consulting agreement, he will be paid a fee of US$41,666 per month over the two year term. As Senior Advisor, Mr Schmiedel is an independent contractor, and he does not have an employer-employee relationship with the Company.

5.3 SHARE BASED PAYMENT AND EQUITY HOLDINGS

Options provided as remuneration

The following table summarises the terms of outstanding option grants for Executives.

Options provided as remuneration

Name	Grant date	Number granted	Exercise price	Fair value at grant date	Date next tranche can be exercised	Expiry date	% of options that have vested	Maximum total value of unvested grant[1]
Ordinary Shares (A$)								
A Field	9 Nov 17	230,076	$ 13.43	$ 4.33	31 Aug 20	9 Nov 24	67.7%	$ 20,427
	9 Nov 18	294,673	$ 12.34	$ 3.47	31 Aug 20	9 Nov 25	33.3%	$ 177,140
S Mikkelsen	5 Feb 18	55,168	$ 17.10	$ 4.89	31 Aug 20	5 Feb 25	67.7%	$ 6,099
	9 Nov 18	99,933	$ 12.34	$ 3.47	31 Aug 20	9 Nov 25	33.3%	$ 60,074
W Schmiedel	9 Nov 17	143,269	$ 13.43	$ 4.33	31 Aug 20	9 Nov 24	67.7%	-[2]
	9 Nov 18	183,494	$ 12.34	$ 3.47	31 Aug 20	9 Nov 25	33.3%	-[2]
S Skurnac	9 Nov 17	67,522	$ 13.43	$ 4.33	31 Aug 20	9 Nov 24	67.7%	$ 5,995
	9 Nov 18	86,480	$ 12.34	$ 3.47	31 Aug 20	9 Nov 25	33.3%	$ 51,987

1 No options will vest if the vesting conditions are not satisfied, hence the minimum value of unvested awards is nil. The maximum value of the unvested awards has been determined as the amount of the grant date fair value that is yet to be expensed. Options are granted for nil consideration.

2 Mr Schmiedel ceased employment with the Group on 30 June 2020 which was determined to be a "Qualifying Cessation" in accordance with the LTI plan rules. The maximum value of the unvested award is nil as the remaining fair value of the awards was fully expensed in FY20.

Movement in options during the year ended 30 June 2020

The number of options over fully paid ordinary shares or American Depositary Shares (ADSs) in the Company held during the financial year by each Executive is set out below. Values are in Australian dollars for ordinary shares and US dollars for ADSs. No options were awarded to Executives during FY20.

Name	Balance at 1 July 2019	Number Granted	Number Exercised	Number Forfeited/ Expired	Balance at 30 June 2020	Vested	Unvested	Number of options that vested during FY20
Ordinary shares (A$)								
A Field	746,395	-	-	-	746,395	473,254	273,141	212,286
S Mikkelsen	155,101	-	-	-	155,101	70,089	85,012	51,700
W Schmiedel	499,937	-	-	-	499,937	329,852	170,085	195,509
S Skurnac	427,481	-	-	-	427,481	347,321	80,160	88,218
ADSs (US$)								
S Skurnac	21,042	-	-	(21,042)	-	-	-	-

Performance Rights and Restricted Share Units provided as remuneration

The following table summarises the terms of outstanding performance rights and RSUs for Executives. Some of these performance rights and RSUs have vested.

Name	Grant date	Grant Type	Number granted	Fair value at grant date	Date next tranche vests	Maximum total value of unvested grant[1]
Ordinary Shares (A$)						
A Field	13 Sep 16	RSU	37,474	$ 8.21	31 Aug 20	$ 12,961
	09 Nov 17	TSR	104,087	$ 9.40	31 Aug 20	$ 51,585
	09 Nov 17	ROIC	73,691	$ 13.09	31 Aug 20	$ 964,615[2]
	09 Nov 18	TSR	184,882	$ 6.30	31 Aug 21	$ 428,856
	09 Nov 18	ROIC	84,976	$ 11.55	31 Aug 21	$ 981,473[3]
	15 Nov 19	SSI	7,818	$ 144.86	31 Aug 20	$ 453,020[4]
	15 Nov 19	TSR	102,348	$ 6.64	31 Aug 22	$ 464,612
	15 Nov 19	Strategic	135,604	$ 10.14	31 Aug 22	$ 1,048,798[5]
S Mikkelsen	05 Feb 18	TSR	25,602	$ 10.53	31 Aug 20	$ 14,213
	05 Feb 18	ROIC	17,041	$ 15.82	31 Aug 20	$ 269,589[2]
	09 Nov 18	TSR	62,699	$ 6.30	31 Aug 21	$ 145,438
	09 Nov 18	ROIC	28,818	$ 11.55	31 Aug 21	$ 332,488[3]
	15 Nov 19	SSI	2,663	$ 144.86	31 Aug 20	$ 154,310[4]
	15 Nov 19	TSR	34,865	$ 6.64	31 Aug 22	$ 158,271
	15 Nov 19	Strategic	46,194	$ 10.14	31 Aug 22	$ 357,277[5]
W Schmiedel	13 Sep 16	RSU	67,454	$ 8.21	31 Aug 20	$ -[6]
	09 Nov 17	TSR	64,815	$ 9.40	31 Aug 20	$ -[6]
	09 Nov 17	ROIC	45,887	$ 13.09	31 Aug 20	$ 600,661[2]
	09 Nov 18	TSR	115,127	$ 6.30	31 Aug 21	$ -[6]
	09 Nov 18	ROIC	52,915	$ 11.55	31 Aug 21	$ 611,168[3]
	15 Nov 19	SSI	4,868	$ 144.86	31 Aug 20	$ 211,560[4]
	15 Nov 19	TSR	63,732	$ 6.64	31 Aug 22	$ -[6]
	15 Nov 19	Strategic	84,441	$ 10.14	31 Aug 22	$ 214,058[5]
S Skurnac	13 Sep 16	RSU	28,106	$ 8.21	31 Aug 20	$ 9,721
	09 Nov 17	TSR	30,547	$ 9.40	31 Aug 20	$ 15,139
	09 Nov 17	ROIC	21,627	$ 13.09	31 Aug 20	$ 283,097[2]
	09 Nov 18	TSR	54,259	$ 6.30	31 Aug 21	$ 125,860
	09 Nov 18	ROIC	24,939	$ 11.55	31 Aug 21	$ 288,045[3]
	15 Nov 19	SSI	2,228	$ 144.86	31 Aug 20	$ 129,103[4]
	15 Nov 19	TSR	29,162	$ 6.64	31 Aug 22	$ 132,382
	15 Nov 19	Strategic	38,638	$ 10.14	31 Aug 22	$ 298,837[5]

1 No performance rights or RSUs will vest if the vesting conditions are not satisfied, hence the minimum value of unvested awards is nil. The maximum value of the unvested performance rights and RSUs has been determined as the amount of the grant date fair value that is yet to be expensed, which will vary from expense recognised contingent on achievement criteria. Performance rights and RSUs are granted for nil consideration.

2 These grants relate to performance rights issued in FY18 subject to a three-year cumulative ROIC performance hurdle achievement from 1 July 2017 to 30 June 2020. As these performance rights did not achieve threshold average return of 8.0% across the performance period, no expense has been recognised to date.

3 These grants relate to performance rights issued in FY19 subject to a three-year cumulative ROIC performance hurdle achievement from 1 July 2018 to 30 June 2021. Based on accumulated results during FY19 and FY20, no expense has been recognised to date for these performance rights.

4 These grants relate to performance rights issued in FY20 subject to achievement against a scorecard of one-year goals tied to the Company's strategic plan. The Board determined an achievement level of 70% of the award, thus 70% of the expense will be recognised over the vesting period 1 July 2019 to 31 August 2020. The value for each achieved right is US$100.00 for each vested performance right and will be used for the on-market purchase of the Company's ordinary shares with a holding requirement as described above.

5 These grants relate to performance rights issued in FY20 subject to achievement against a scorecard of three-year goals tied to the Company's strategic plan as well as a ROC performance modifier. The rights will be tested for achievement level at the conclusion of the performance period commencing 1 July 2019 and ending 30 June 2022.

6 Mr Schmiedel ceased employment with the Group on 30 June 2020 which was determined to be a "Qualifying Cessation" in accordance with the LTI plan rules. The maximum value of the unvested award is nil as the remaining fair value of the awards was fully expensed in FY20.

Movement in Performance Rights and Restricted Shares Units during the year ended 30 June 2020

The number of performance rights and RSUs to ordinary shares or ADSs in the Company held during the financial year by each Executive is set out below:

Name	Instrument that performance rights and RSUs are over	Balance at 1 July 2019	Number Granted	Number Vested	Number Forfeited	Balance at 30 June 2020
A Field	Ordinary shares	623,929	245,770	(73,934)	(64,885)	730,880
S Mikkelsen	Ordinary shares	134,160	83,722	-	-	217,882
W Schmiedel	Ordinary shares	648,474	153,041	(151,933)	(150,343)	499,239
S Skurnac	Ordinary shares	287,609	70,028	(64,091)	(64,040)	229,506

KMP share holdings as at the end of the financial year ended 30 June 2020

KMP share holdings as at the end of the financial year and activity during the financial year, including personally related parties, is set out below:

Name	Balance at 1 July 2019	Received on exercise of options, performance rights and RSUs	Purchases / (sales)	Other changes during the year	Balance at 30 June 2020
NEDs					
G Brunsdon	33,057	-	6,000	-	39,057
J DiLacqua[1]	2,500	-	-	(2,500)[1]	-
T Gorman	-	-	-	-	-
M. Kane[1]	2,000	-	-	(2,000)[1]	-
G Nelson	6,700	-	-	-	6,700
D O'Toole	14,500	-	3,000	-	17,500
H Ridout	5,000	-	-	-	5,000
J Thompson	26,000	-	-	-	26,000
Executives					
A Field	101,342	73,934	(25,116)	-	150,160
S Mikkelsen	-	-	4,600	-	4,600
W Schmiedel	-	151,933	(151,933)	-	-
S Skurnac	89,224	64,091	(22,164)	-	131,151

1 Represents shares held at time of retirement from the Board.

5.4 NON-EXECUTIVE DIRECTOR FEES

NED Fees

The level of NED fees reflects the need to reward directors for their commitment to the corporate governance of the Company, their active participation in the affairs of the business and the contribution they make generally to the maximisation of shareholder value. The Company aims to provide a level of fees for NEDs taking into account, among other things, fees paid for similar roles in comparable companies, the time commitment, risk and responsibility accepted by NEDs, and recognition of their commercial expertise and experience.

The maximum aggregate amount available for NED fees (including superannuation) is the greater of A$3 million and US$3 million per annum as approved by shareholders at the Company's 2015 Annual General Meeting. Total aggregate NED fees for FY20 were A$2,226,114 / US$1,497,002 (FY19: A$2,518,976 / US$1,805,145).

During FY19, the Company established a policy of paying all NED fees based on the Australian dollar, regardless of where the director is resident. US resident NEDs who joined the Board prior to FY19 will continue to receive their fees based on the US dollar.

There have been no changes to NED base fees since July 2011. The table below outlines NED base fees for FY20 and FY19:

(A$) / (US$)	2020		2019	
	A A$	B US$	A A$	B US$
Base Fees				
Chairperson	493,330		493,330	
NED	222,750	203,424	222,750	203,424
Committee Fees				
Committee Chairperson[1, 2]	27,375	25,000	27,375	25,000
NED Committee Member	8,760	8,000	8,760	8,000

Column A: All Directors, except for US resident Directors who joined the Board prior to FY19.

Column B: US resident Directors who joined the Board prior to FY19.

[1] The NEDs received pro-rated fees based on the time served on each Committee.

[2] Chairperson of the Nomination/Governance Committee does not receive any fee for the role.

NEDs also receive reimbursement for essential travel, accommodation and other expenses incurred in travelling to and/or from meetings of the Board, or when otherwise engaged in the business of the Company in accordance with Board policy.

NEDs are not currently covered by any contract of employment; therefore, they have no contract duration, notice period for termination, or entitlement to termination payments. NEDs do not participate in any incentive (cash or equity-based) arrangements.

For Australian resident NEDs, superannuation is deducted from the above fees disclosed in Column A. The Company pays superannuation at 9.5% of the maximum contribution (A$21,694.20) for each Australian resident NED. Superannuation is not paid in respect of overseas NEDs. NEDs do not receive any retirement benefits.

5.5 NON-EXECUTIVE DIRECTOR REMUNERATION

Non-Executive Director Remuneration

For NEDs who receive payments in US dollars, the table below also reflects the Australian dollar equivalent based on the exchange rate at the date of payment. For NEDs who receive payments in Australian dollars, the table below also reflects the US dollar equivalent based on the exchange rate at the date of payment. Accordingly, exchange rate movements have influenced the disclosed fee level.

Non-Executive Director Remuneration

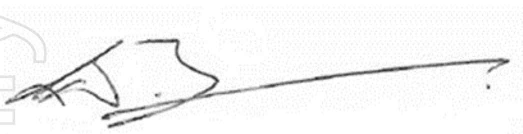
A$ unless noted			Short-term benefits	Post-employment benefits		
Name	**Location**	**Financial Year**	**Cash fees**	**Superannuation[1]**	**Total A$**	**Total US$**
Non-Executive Directors						
G Brunsdon	Australia	**2020**	**498,605**	**21,003**	**519,608**	**349,323**
		2019	474,619	40,609	515,228	368,637
T Gorman[2,3]	USA	**2020**	**9,646**	–	**9,646**	**6,607**
H Kato	Japan	**2020**	**240,270**	**–**	**240,270**	**161,154**
		2019	145,490	–	145,490	102,557
G Nelson[2]	USA	**2020**	**365,420**	**–**	**365,420**	**244,424**
		2019	323,873	–	323,873	231,924
D O'Toole	Australia	**2020**	**246,642**	**21,003**	**267,645**	**179,937**
		2019	244,872	22,772	267,644	191,514
H Ridout	Australia	**2020**	**255,401**	**21,003**	**276,404**	**185,807**
		2019	244,499	22,598	267,097	191,043
J Thompson[2]	USA	**2020**	**365,420**	**–**	**365,420**	**244,424**
		2019	341,014	–	341,014	244,424
Former Non-Executive Directors						
J Dilacqua[2, 5]	USA	**2020**	**81,293**	**–**	**81,293**	**56,856**
		2019	328,952	–	328,952	235,924
M Kane[2, 6]	USA	**2020**	**100,408**	**–**	**100,408**	**68,470**
		2019	83,463	–	83,463	59,676
R Bass[2, 6]	USA	2019	167,588	–	167,588	122,212
T Sato[7]	Japan	2019	78,627	–	78,627	57,234
Total		**2020**	**2,163,105**	**63,009**	**2,226,114**	**1,497,002**
		2019	2,432,997	85,979	2,518,976	1,805,145

1 Superannuation contributions are made on behalf of Australian resident NEDs to satisfy the Company's obligations under Australian Superannuation Guarantee legislation.
2 Messrs Bass, DiLacqua, Kane and Thompson and Ms Nelson are residents of the USA and receive their payments in US dollars. Mr Gorman is a resident of the USA and receives his payment in Australian dollars.
3 Mr Gorman was appointed to the Board on 15 June 2020.
4 Mr Dilacqua retired from the Board on 31 August 2019.
5 Mr Kane retired from the Board on 4 November 2019.
6 Mr Bass retired from the Board on 1 January 2019.
7 Mr Sato served as the representative Director for Mitsui until 8 November 2018.

5.6 OTHER TRANSACTIONS WITH KMP

Transactions entered into with any KMP of the Group, including their personally related parties, are at normal commercial terms.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board of Directors.



G N Brunsdon
Chairperson
Sydney
18 August 2020

A Field
Managing Director and Group CEO
Sydney
18 August 2020

Deloitte Touche Tohmatsu
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The Board of Directors
Sims Limited
Level 35, International Tower One
100 Barangaroo Avenue
Sydney NSW 2000

18 August 2020

Dear Board Members

Auditor's Independence Declaration to Sims Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Sims Limited.

As lead audit partner for the audit of the financial report of Sims Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Don Pasquariello

Don Pasquariello
Partner
Chartered Accountants

Sims Limited
Consolidated Income Statements
For the year ended 30 June 2020

	Note	**2020 A$m**	2019 A$m
Revenue	3	**4,917.5**	6,650.2
Other income	3	**57.4**	47.6
Raw materials used and changes in inventories		**(3,248.4)**	(4,593.1)
Freight expense		**(431.5)**	(523.4)
Employee benefits expense		**(614.2)**	(664.1)
Depreciation and amortisation expense	5	**(202.8)**	(133.1)
Repairs and maintenance expense		**(93.8)**	(95.0)
Other expenses		**(566.5)**	(519.4)
Impairment of goodwill and other intangibles		**(72.0)**	-
Finance costs	18	**(15.4)**	(7.9)
Share of results of joint ventures	24	**16.8**	56.5
(Loss)/profit before income tax		**(252.9)**	218.3
Income tax expense	12	**(12.4)**	(65.7)
(Loss)/profit for the year		**(265.3)**	152.6
		A¢	A¢
(Loss)/earnings per share			
Basic	7	**(131.2)**	75.1
Diluted	7	**(131.2)**	74.2

The consolidated income statements should be read in conjunction with the accompanying notes.

Sims Limited
Consolidated Statements of Comprehensive Income
For the year ended 30 June 2020

	Note	2020 A$m	2019 A$m
(Loss)/profit for the year		**(265.3)**	152.6
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Changes in the fair value of cash flow hedges, net of tax	20	**0.4**	0.8
Changes in the fair value of cash flow hedges of an equity method investment, net of tax	24	**(1.1)**	-
Foreign exchange translation differences arising during the period, net of tax	20	**20.7**	69.1
Gain reclassified to profit or loss on disposal of foreign operations, net of tax		**(3.8)**	-
Item that will not be reclassified to profit or loss:			
Re-measurements of defined benefit plans, net of tax		**1.0**	(5.8)
Other comprehensive income for the year, net of tax		**17.2**	64.1
Total comprehensive (loss)/income for the year		**(248.1)**	216.7

The consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Sims Limited
Consolidated Statements of Financial Position
As at 30 June 2020

	Note	2020 A$m	2019 A$m
Current assets			
Cash and cash equivalents	17	**227.3**	382.9
Trade and other receivables	8	**392.3**	386.7
Inventories	9	**334.3**	442.8
Other financial assets	16	**20.5**	17.5
Assets classified as held for sale	33	**0.4**	0.1
Total current assets		**974.8**	1,230.0
Non-current assets			
Investments in joint ventures	24	**322.8**	312.7
Other financial assets	16	**115.1**	18.1
Right of use assets	31	**311.4**	0.1
Property, plant and equipment	10	**1,192.8**	1,267.1
Retirement benefit assets	15	**7.3**	2.7
Deferred tax assets	12	**221.9**	160.9
Other intangible assets	11	**60.0**	193.8
Total non-current assets		**2,231.3**	1,955.4
Total assets		**3,206.1**	3,185.4
Current liabilities			
Trade and other payables	13	**369.3**	536.0
Borrowings	18	**-**	0.2
Lease liabilities	32	**70.5**	-
Other financial liabilities	16	**12.1**	2.5
Current tax liabilities		**4.6**	19.5
Provisions	14	**79.1**	100.5
Total current liabilities		**535.6**	658.7
Non-current liabilities			
Payables	13	**13.1**	13.8
Borrowings	18	**116.9**	35.2
Lease liabilities	32	**293.0**	-
Deferred tax liabilities	12	**199.5**	115.2
Provisions	14	**59.4**	60.9
Other financial liabilities	16	**1.8**	-
Retirement benefit obligations	15	**4.5**	2.9
Total non-current liabilities		**688.2**	228.0
Total liabilities		**1,223.8**	886.7
Net assets		**1,982.3**	2,298.7
Equity			
Contributed equity	19	**2,734.4**	2,750.2
Reserves	20	**266.9**	236.3
Accumulated deficit	20	**(1,019.0)**	(687.8)
Total equity		**1,982.3**	2,298.7

The consolidated statements of financial position should be read in conjunction with the accompanying notes.

Sims Limited
Consolidated Statements of Changes in Equity
For the year ended 30 June 2020

	Note	Contributed equity A$m	Reserves A$m	Accumulated deficit A$m	Total equity A$m
Balance at 1 July 2018		2,767.8	147.6	(726.7)	2,188.7
Profit for the year		-	-	152.6	152.6
Other comprehensive income/(loss)		-	69.9	(5.8)	64.1
Total comprehensive income for the year		-	69.9	146.8	216.7
Transactions with owners in their capacity as owners:					
Dividends paid	6	-	-	(107.9)	(107.9)
Share options exercised	19	1.7	-	-	1.7
Buy-back of ordinary shares	19	(19.3)	-	-	(19.3)
Share-based payments expense, net of tax		-	18.8	-	18.8
		(17.6)	18.8	(107.9)	(106.7)
Balance at 30 June 2019		2,750.2	236.3	(687.8)	2,298.7
Loss for the year		**-**	**-**	**(265.3)**	**(265.3)**
Other comprehensive income		**-**	**16.2**	**1.0**	**17.2**
Total comprehensive income for the year		**-**	**16.2**	**(264.3)**	**(248.1)**
Transactions with owners in their capacity as owners:					
Purchase of shares by trusts	19, 20	**(1.2)**	**-**	**(16.3)**	**(17.5)**
Dividends paid	6	**-**	**-**	**(50.6)**	**(50.6)**
Share options exercised	19	**1.9**	**-**	**-**	**1.9**
Buy-back of ordinary shares	19	**(16.5)**	**-**	**-**	**(16.5)**
Share-based payments expense, net of tax		**-**	**14.4**	**-**	**14.4**
		(15.8)	**14.4**	**(66.9)**	**(68.3)**
Balance at 30 June 2020		**2,734.4**	**266.9**	**(1,019.0)**	**1,982.3**

The consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Sims Limited
Consolidated Statements of Cash Flows
For the year ended 30 June 2020

	Note	2020 A$m	2019 A$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**4,818.7**	6,860.6
Payments to suppliers and employees (inclusive of goods and services tax)		**(4,867.6)**	(6,473.5)
		(48.9)	387.1
Interest received		**1.3**	1.2
Interest paid		**(14.9)**	(6.5)
Insurance recoveries		**10.3**	15.8
Grant income received		**5.7**	-
Dividends received from joint ventures		**7.7**	23.4
Income taxes paid		**(26.5)**	(60.9)
Net cash (outflows)/inflows from operating activities	17	**(65.3)**	360.1
Cash flows from investing activities			
Payments for property, plant and equipment		**(140.5)**	(197.1)
Payments for businesses, net of cash acquired		**-**	(9.4)
Payments for other financial assets		**(2.2)**	(3.2)
Proceeds from sale of businesses, net of cash sold	22	**121.2**	-
Grant income received for purchase of equipment		**1.9**	-
Proceeds from sale of property, plant and equipment		**48.3**	6.1
Proceeds from sale of assets held for sale		**-**	7.2
Proceeds from sale of other financial assets		**4.2**	2.3
Loan to related party		**(61.4)**	-
Net cash outflows from investing activities		**(28.5)**	(194.1)
Cash flows from financing activities			
Proceeds from borrowings		**1,608.0**	1,613.1
Repayment of borrowings		**(1,524.0)**	(1,617.2)
Fees paid for loan facilities		**(0.8)**	(0.2)
Repayment of lease liabilities		**(68.2)**	(1.6)
Payments for ordinary shares bought back	19	**(16.5)**	(19.3)
Payments for shares under employee share plan	19, 20	**(17.5)**	-
Proceeds from issue of ordinary shares		**1.7**	1.7
Dividends paid	6	**(50.6)**	(107.9)
Net cash outflows from financing activities		**(67.9)**	(131.4)
Net (decrease)/increase in cash and cash equivalents		**(161.7)**	34.6
Cash and cash equivalents at the beginning of the financial year		**382.9**	339.1
Effects of exchange rate changes on cash and cash equivalents		**6.1**	9.2
Cash and cash equivalents at the end of the financial year	17	**227.3**	382.9

The consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Sims Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

OVERVIEW

1 – Basis of preparation

Sims Limited (the "Company") is a for-profit company incorporated and domiciled in Australia. The consolidated financial statements for the year ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures.

Basis of preparation

This general purpose financial report:

- has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*;
- has been prepared on the basis of historical cost, except for certain financial assets and liabilities which have been measured at fair value (note 21);
- complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- is presented in Australian Dollars;
- presents all values as rounded to the nearest tenth of a million dollars, unless otherwise stated under ASIC Corporations (rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016;
- adopts all new and amended Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or after 1 July 2019, all of which did not have a material impact on the financial statements; and
- does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note 30.

Going concern

The financial report has been prepared on a going concern basis of accounting with no material uncertainties as to the Company's ability to continue to operate.

During the fiscal year ended 30 June 2020, COVID-19 negatively affected geographies in which the Company operates. Certain areas saw elevated positive case levels and were subject to differing 'lockdown' procedures.

While the operations of the business are considered 'essential' in nearly all jurisdictions, there was a substantial decline in both supply and demand for our products.

Budgeting for the half year ending 31 December 2020 was performed on a multi-scenario basis, volumes being the key driver, with the scenario selected reflective of the facts and circumstances known to date. The approach was inclusive of the potential downside risk due to the ongoing global response to COVID-19. The selected scenario represented a midpoint of the scenarios and was incorporated into internal cash flow forecasts used for impairment assessments.

The Company considered evidence through the date of this report regarding restructuring activities taken in light of the global pandemic, access to sources of capital and future liquidity as well as future contract obligations when determining if the going concern basis of accounting is appropriate.

Despite the current uncertainty and the variety of outcomes still possible related to the course of the pandemic and its adverse impact on economies all over the world, the Company believes the going concern basis of accounting is appropriate.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

In preparing the consolidated financial statements, all intercompany balances and transactions are eliminated.

The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

1 – Basis of preparation (continued)

Critical accounting estimates and judgements
The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions about future events. Information on material estimates and judgements can be found in the following notes:

- Revenue (note 3)
- Inventory (note 9)
- Impairment (note 10, note 11 and note 31)
- Deferred tax positions (note 12)

Currency
Each entity in the Group determines its own functional currency, reflecting the currency of the primary economic environment in which it operates.

Transactions
Transactions in foreign currencies are recorded at the rate of exchange ruling on the date of each transaction. At balance date, amounts payable and receivable in foreign currencies are converted at the rates of exchange ruling at that date with any resultant gain or loss recognised in the income statement.

Translation
The financial statements of overseas subsidiaries are maintained in their functional currencies and are converted to the Group's presentation currency as follows:
- assets and liabilities are translated at the rate of exchange as at balance date;
- income statements are translated at average exchange rates for the reporting period which approximate the rates ruling at the dates of the transactions; and
- all resultant exchange differences are recorded in the foreign currency translation reserve.

On consolidation, exchange differences arising from borrowings and any other currency instruments designated as hedges of investments in overseas subsidiaries are transferred to the foreign currency translation reserve on a net of tax basis where applicable. When an overseas subsidiary is sold, the cumulative amount recognised in the foreign currency translation reserve relating to the subsidiary is recognised in the income statement as part of the gain or loss on sale.

FINANCIAL PERFORMANCE

2 – Segment information

Description of segments

Operating segments have been identified based on separate financial information that is regularly reviewed by the Group CEO, the Chief Operation Decision Maker ("CODM").

The Group operates in six principal operating segments: North America Metals ("NAM"), Australia/New Zealand Metals ("ANZ"), UK Metals ("UK"), Global Trading, Investment in SA Recycling ("SAR") and Sims Lifecycle Services ("SLS"). The segments are based on a combination of factors including geography, products and services. All other operating segments are included within the "Unallocated" segment.

The SLS operating segment was formerly referred to as Global E-Recycling. Following the disposal of the European compliance scheme operations referred to in note 22, the segment has clarified its description to emphasise end of life cloud services, including the reusing, redeploying and recycling of cloud infrastructure. The remaining subsidiaries are consistent with prior presentation.

Details of the segments are as follows:

- **NAM** – comprising subsidiaries and joint ventures in the United States of America and Canada which primarily perform ferrous and non-ferrous secondary recycling functions.
- **ANZ** – comprising subsidiaries and joint arrangements in Australia, New Zealand and Papua New Guinea which primarily perform ferrous and non-ferrous secondary recycling functions.
- **UK** – comprising subsidiaries in the United Kingdom which primarily perform ferrous and non-ferrous secondary recycling functions.
- **Global Trading –** comprising the Group's ferrous and non-ferrous marketing subsidiaries that coordinate sales of ferrous bulk cargo shipments, non-ferrous sales into primarily China and Southeast Asia and brokerage sales on behalf of third and related parties.
- **SAR –** comprising the Group's share of results from its investment in the SA Recycling joint venture.
- **SLS** – comprising subsidiaries which provide electronic recycling solutions in the following countries: Australia, Germany, India, Ireland, Netherlands, New Zealand, Poland, Singapore, the United Kingdom and the United States of America. During the year ended 30 June 2020, subsidiaries in Austria, Belgium, Czech Republic, Dubai, Norway, Republic of South Africa and Sweden were either sold or ceased operations.
- **Unallocated** – comprising unallocated corporate costs, interests in a joint venture in Australia and SMR.

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2 – Segment information (continued)

Information about reportable segments

	NAM A$m	ANZ A$m	UK A$m	Global Trading A$m	SAR A$m	SLS A$m	Unallocated A$m	Total A$m
2020								
Total sales revenue	**2,061.7**	**924.8**	**869.8**	**550.8**	**-**	**408.0**	**93.4**	**4,908.5**
Other revenue	**6.1**	**0.9**	**-**	**-**	**-**	**1.0**	**1.0**	**9.0**
Total segment revenue	**2,067.8**	**925.7**	**869.8**	**550.8**	**-**	**409.0**	**94.4**	**4,917.5**
Segment EBIT	**(145.8)**	**39.3**	**(110.0)**	**6.9**	**12.1**	**(14.8)**	**(26.8)**	**(239.1)**
Interest income								**1.6**
Finance costs								**(15.4)**
Loss before Tax								**(252.9)**
Assets	**1,116.7**	**694.9**	**322.5**	**54.1**	**277.5**	**139.4**	**601.0**	**3,206.1**
Liabilities	**307.3**	**250.2**	**179.0**	**70.1**	**0.2**	**87.0**	**330.0**	**1,223.8**
Net assets	**809.4**	**444.7**	**143.5**	**(16.0)**	**277.3**	**52.4**	**271.0**	**1,982.3**
Other items:								
Depreciation and amortisation	**(94.0)**	**(53.0)**	**(27.6)**	**(1.3)**	**-**	**(11.3)**	**(15.6)**	**(202.8)**
Share of results of joint ventures	**(2.5)**	**-**	**-**	**-**	**12.1**	**-**	**7.2**	**16.8**
Investments in joint ventures	**35.9**	**0.1**	**-**	**-**	**219.6**	**-**	**67.2**	**322.8**
Impairments of intangibles	**(35.6)**	**-**	**(23.0)**	**-**	**-**	**(13.4)**	**-**	**(72.0)**
Impairments of fixed assets	**(32.1)**	**-**	**(9.7)**	**-**	**-**	**(0.3)**	**-**	**(42.1)**
Property, plant and equipment additions	**74.2**	**13.3**	**27.6**	**0.4**	**-**	**2.8**	**22.2**	**140.5**
2019								
Total sales revenue	2,725.6	1,203.7	1,186.9	690.9	-	746.5	86.4	6,640.0
Other revenue	5.2	0.9	-	0.4	-	0.1	3.6	10.2
Total segment revenue	2,730.8	1,204.6	1,186.9	691.3	-	746.6	90.0	6,650.2
Segment EBIT	61.9	94.2	0.5	23.1	41.0	17.9	(13.6)	225.0
Interest income								1.2
Finance costs								(7.9)
Profit before tax								218.3
Assets	1,065.4	614.1	389.9	67.2	211.1	340.6	497.1	3,185.4
Liabilities	247.6	144.5	155.8	60.6	0.6	139.2	138.4	886.7
Net assets	817.8	469.6	234.1	6.6	210.5	201.4	358.7	2,298.7
Other items:								
Depreciation and amortisation	(62.9)	(31.4)	(19.2)	(0.2)	-	(8.5)	(10.9)	(133.1)
Share of results of joint ventures	5.9	-	-	-	41.0	-	9.6	56.5
Investments in joint ventures	39.0	0.2	-	-	211.1	-	62.4	312.7
Property, plant and equipment additions	101.0	37.8	26.5	1.3	-	8.0	8.1	182.7

3 – Revenue and other income

	2020 A$m	2019 A$m
Sales revenue		
Ferrous secondary recycling	**3,286.2**	4,505.4
Non-ferrous secondary recycling	**1,095.5**	1,271.4
Recycling solutions	**408.0**	746.5
Secondary processing and other services	**118.8**	116.7
	4,908.5	6,640.0
Other revenue		
Interest income	**1.6**	1.2
Rental and dividend income	**7.4**	9.0
	9.0	10.2
Total revenue	**4,917.5**	6,650.2

Sales to external customers[1]

	2020 A$m	2019 A$m
Australia	**426.5**	524.3
China	**479.2**	648.2
Turkey	**837.7**	1,040.9
South Korea	**159.5**	471.0
United States	**958.3**	1,190.9
Other	**2,047.3**	2,764.7
Total sales revenue	**4,908.5**	6,640.0

[1] Amounts reflect the customer geographic location.

No single customer contributed 10% or more to the Group revenue for all the periods presented.

Intersegment sales

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

	2020 A$m	2019 A$m
Net gain on commodity derivatives	**2.7**	10.4
Net gain on currency derivatives	**3.6**	-
Net foreign exchange gain	**-**	1.2
Net gain on disposal of property, plant and equipment	**26.8**	5.4
Net gain on revaluation of financial assets at fair value through profit or loss	**0.1**	0.4
Government grants[1]	**4.3**	2.5
Insurance recoveries	**11.6**	16.5
Third party commissions	**3.0**	3.4
Management fees	**1.0**	1.7
Other	**4.3**	6.1
Total other income	**57.4**	47.6

[1] Amounts primarily relate to grant income received from various regional government relief packages in response to COVID-19.

Recognition and measurement

Ferrous secondary recycling

Ferrous secondary recycling comprises the collection, processing and trading of iron and steel secondary raw material. The Group sells a significant portion of its ferrous secondary material on cost and freight or cost, insurance and freight Incoterms. Under these arrangements, 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. A material portion of the Group's ferrous bulk cargo sales arrangements specify that title passes once material has been loaded onto a vessel (i.e. passed the ship's rail). These sales are primarily sold on a letter of credit basis.

Non-ferrous secondary recycling

Non-ferrous secondary recycling comprises the collection, processing and trading of other metal alloys and residues, principally aluminium, 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

3 – Revenue and other income (continued)

Recognition and measurement (continued)

Non-ferrous secondary recycling (continued)

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 solutions

Recycling solutions 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 solutions, 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.

Secondary processing and other services

Secondary processing and other services comprises the recycling of municipal curbside materials, stevedoring, and other sources of service based revenue. Municipal curbside revenue predominantly consists of the sale of paper, plastics or tin cans which involve standard pricing and title passing upon collection. The collection of the product satisfies requisite performance obligations of the entity, allowing revenue to be recognised at that time. Other service revenue is recognised based upon completion of the performance obligations in the contract.

Interest income

Interest income is recognised as it is earned, using the effective interest method.

Rental and dividend income

Rental income consists of rentals from sub-lease rentals. Rentals received under operating leases and initial direct costs are recognised on a straight-line basis over the term of the lease.

Dividends are recognised when the Group's right to receive the payment is established.

Critical accounting estimate and judgement

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

4 – Significant items

	2020 A$m	2019 A$m
Impairment of goodwill (note 11)	**30.6**	-
Impairment of other intangible assets (note 11)	**41.4**	-
Restructuring and redundancies[1]	**85.4**	11.5
Environmental provisions	**25.0**	-
Gain on sale of property	**(20.4)**	(4.2)
Net loss on sale of businesses (note 22)	**9.9**	-
Non-qualified hedges[2]	**8.0**	2.2
Non-recurring gain on asset disposition by joint venture[3]	**-**	(5.1)
Impact of fires, net of insurance recoveries	**(5.0)**	(1.8)

[1] FY20 amount primarily represents incurred expenses and provisions related to the implementation of the Group's plans to restructure operations in the UK as a result of performance during the half year ended 31 December 2019 and plans to restructure operations in the UK, NAM and SLS resulting from the economic impacts of COVID-19. This includes fixed asset impairments of A$42.1 million, lease impairments of A$6.2 million, and write off of spare parts of A$1.9 million.

[2] Non-qualified hedges include the impact of financial hedges that do not qualify for hedge accounting.

[3] The non-recurring gain on asset disposition by joint venture is included within the share of results of joint ventures in the consolidated income statements.

Recognition and measurement

Significant items are those which by their size and nature or incidence are relevant in explaining the financial performance of the Group and as such are disclosed separately.

5 – Expenses

	2020 A$m	2019 A$m
Depreciation and amortisation:		
Depreciation expense, net of right of use asset depreciation	**130.9**	122.3
Right of use asset depreciation expense	**67.1**	-
Amortisation expense	**4.8**	10.8
	202.8	133.1
Net loss on currency derivatives	**-**	2.1
Net foreign exchange loss	**4.9**	-

Recognition and measurement
Depreciation and amortisation
Refer to note 10 for property, plant and equipment depreciation, note 31 for right of use asset depreciation and note 11 for amortisation.

6 – Dividends

	Cents per share	**Amount A$m**
2020:		
Interim 2020 (100% franked)	**6.0**	**12.0**
Final 2019 (100% franked)	**19.0**	**38.6**
		50.6
2019:		
Interim 2019 (100% franked)	23.0	46.6
Final 2018 (100% franked)	30.0	61.3
		107.9

Dividend franking account
The franked components of all dividends paid or declared were franked based on an Australian corporate tax rate of 30%.

At 30 June 2020, there is an A$4.1 million deficit (2019: A$2.3 million surplus) of estimated franking credits.

7 – (Loss)/earnings per share

Basic earnings per share is calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing net profit by the weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares.

The weighted average number of shares used for the purposes of calculating basic earnings per share is calculated after deduction of the shares held by the Group's trusts.

	2020	2019
Basic (loss)/earnings per share (in A¢)	**(131.2)**	75.1
Diluted (loss)/earnings per share (in A¢)	**(131.2)**	74.2
Weighted average number of shares used in the denominator ('000)		
Basic shares	**202,139**	203,102
Dilutive effect of share-based awards	**-**	2,473
Diluted shares	**202,139**	205,575

Due to the loss after tax in the year ended 30 June 2020, the dilutive effect of share-based awards, which was approximately 0.9 million, was not included as the result would have been anti-dilutive.

ASSETS AND LIABILITIES

8 – Trade and other receivables

	2020 A$m	2019 A$m
Trade receivables	**269.5**	279.4
Loss allowance	**(1.3)**	(1.5)
Net trade receivables	**268.2**	277.9
Other receivables	**57.2**	55.6
Tax receivable	**42.1**	22.3
Prepayments	**24.8**	30.9
Total current receivables	**392.3**	386.7
Movement in loss allowance		
Balance at 1 July	**1.5**	6.0
Provision recognised/ (written back) during the year	**(0.2)**	(4.7)
Foreign exchange differences	**-**	0.2
Balance at 30 June	**1.3**	1.5
Past due but not impaired		
Days overdue		
1 – 30 days	**8.9**	16.5
31 – 60 days	**3.8**	3.9
Over 60 days	**4.4**	3.5
	17.1	23.9

Recognition and measurement

Trade and other receivables are recognised at fair value, net of loss allowance. Trade receivables are generally due for settlement within 30 to 60 days following shipment, except in the case of certain ferrous shipments made to export destinations, which are generally secured by letters of credit that are collected on negotiated terms but generally within 10 days of shipment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written-off by reducing the carrying amount directly. A loss allowance account is used based upon a 12-month expected credit loss model as required by AASB 9 *Financial Instruments*. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument or asset. The recoverability of debtors at 30 June 2020 has been assessed to consider the impact of the COVID-19 pandemic and no material recoverability issues have been identified due to the processes further described in the credit risk section of note 21.

When a trade receivable for which a loss allowance provision had been recognised becomes uncollectible in a subsequent period, it is written-off against the provision for impairment account. Subsequent recoveries of amounts previously written-off are credited against other expenses in profit or loss.

9 – Inventories

	2020 A$m	2019 A$m
Raw materials	**52.9**	63.5
Finished goods	**257.3**	350.4
Stores and spare parts	**24.1**	28.9
	334.3	442.8

The cost of inventories recognised as expense during the year ended 30 June 2020 amounted to A$3,360.7 million (2019: A$4,720.9 million).

Lower of cost and market adjustments during the year ended 30 June 2020 amounted to A$11.3 million, primarily related to unsold inventory leading into September 2019 which was subsequently sold at a loss (2019: nil).

Recognition and measurement

Inventories are stated at the lower of cost and net realisable value. Cost is based on first-in, first-out or weighted average and comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditures, the latter being allocated on the basis of normal operating capacity.

Stores and spare parts consist of consumable and maintenance stores and spare parts when they do not meet the definition of property, plant and equipment.

9 – Inventories (continued)

Critical accounting estimate and judgement

Valuation of inventories

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

Net realisable value

The Group 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.

10 – Property, plant and equipment

	Land A$m	Buildings A$m	Leasehold improve-ments A$m	Plant & equip-ment A$m	Capital work in progress A$m	Total A$m
At 30 June 2020						
Cost	**335.6**	**471.8**	**98.3**	**1,361.2**	**128.3**	**2,395.2**
Accumulated depreciation	**-**	**(195.3)**	**(70.2)**	**(936.9)**	**-**	**(1,202.4)**
Net book amount	**335.6**	**276.5**	**28.1**	**424.3**	**128.3**	**1,192.8**
Movement						
Balance at 1 July	**358.2**	**268.7**	**32.5**	**376.3**	**231.5**	**1,267.2**
Additions	**-**	**1.5**	**3.2**	**23.9**	**111.9**	**140.5**
Disposals	**(19.0)**	**(1.2)**	**(0.1)**	**(0.8)**	**-**	**(21.1)**
Dispositions	**(8.5)**	**(8.0)**	**(0.1)**	**(15.3)**	**(1.6)**	**(33.5)**
Transfers	**-**	**42.4**	**2.8**	**173.3**	**(218.5)**	**-**
Reclass to assets held for sale	**(0.2)**	**-**	**-**	**-**	**-**	**(0.2)**
Impairment charge	**-**	**(3.7)**	**(4.4)**	**(34.0)**	**-**	**(42.1)**
Depreciation expense	**-**	**(25.7)**	**(5.7)**	**(99.5)**	**-**	**(130.9)**
Foreign exchange differences	**5.1**	**2.5**	**(0.1)**	**0.4**	**5.0**	**12.9**
Balance at 30 June	**335.6**	**276.5**	**28.1**	**424.3**	**128.3**	**1,192.8**
At 30 June 2019						
Cost	358.2	467.0	97.0	1,336.0	231.5	2,489.7
Accumulated depreciation	-	(198.3)	(64.5)	(959.7)	-	(1,222.5)
Net book amount	358.2	268.7	32.5	376.3	231.5	1,267.2
Movement						
Balance at 1 July	343.5	250.6	30.0	366.9	164.8	1,155.8
Acquisitions	-	-	-	8.2	-	8.2
Additions	-	3.2	6.8	22.0	150.7	182.7
Disposals	-	(1.2)	(0.1)	(1.1)	-	(2.4)
Transfers	(0.7)	29.8	0.1	62.3	(91.5)	-
Depreciation expense	-	(23.2)	(5.0)	(94.1)	-	(122.3)
Foreign exchange differences	15.4	9.5	0.7	12.1	7.5	45.2
Balance at 30 June	358.2	268.7	32.5	376.3	231.5	1,267.2

10 – Property, plant and equipment (continued)

Recognition and measurement

Carrying value

Property, plant and equipment is recorded at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditures that are directly attributable to the acquisition and installation of the items.

Depreciation

Assets are depreciated on a straight-line basis over their estimated useful lives. Useful lives are reassessed at the end of each reporting period. The expected useful lives are as follows:

- Buildings – 25 to 40 years
- Plant and equipment – One to 20 years
- Leasehold improvements – lesser of life of asset or term of the lease

Proceeds from sale of assets

The gross proceeds from sale of assets are recognised at the date that an unconditional contract of sale is exchanged with the purchaser and control of the asset is transferred. Gains and losses on disposals are determined by comparing proceeds with the asset's carrying amounts and recognised in profit or loss.

Impairment

The carrying amounts of the Group's property, plant and equipment are reviewed for impairment when there is an indication that the asset may be impaired. If the asset's carrying amount is greater than its estimated recoverable amount, then an impairment loss is recognised.

During the year, as the result of commercially-driven restructuring plans taken primarily in the NAM and UK Metals segments, the Group carried out a review of the recoverable amount of certain yards and facilities and the related equipment. The review identified assets that had a carrying amount greater than its estimated recoverable amount which led to the recognition of an impairment loss of A$42.1 million, which has been recognised in profit or loss. The impairment losses have been included in the profit and loss in the other expenses line item. No impairment assessment was performed in the fiscal year ended 30 June 2019 as there was no indication of impairment.

11 – Intangible assets

	Goodwill A$m	Supplier relation-ships A$m	Permits A$m	Licenses/ Contracts A$m	Trade-names A$m	Total A$m
At 30 June 2020						
Cost	**1,656.7**	**287.6**	**13.1**	**51.1**	**43.3**	**2,051.8**
Accumulated impairment	**(1,597.4)**	**(35.4)**	**(13.1)**	**(0.8)**	**(17.1)**	**(1,663.8)**
Accumulated amortisation	**-**	**(251.5)**	**-**	**(50.3)**	**(26.2)**	**(328.0)**
Net book amount	**59.3**	**0.7**	**-**	**-**	**-**	**60.0**
Movement						
Balance at 1 July	**147.2**	**24.1**	**3.3**	**0.9**	**18.3**	**193.8**
Derecognised on disposal of subsidiaries (note 22)	**(56.7)**	**-**	**(0.2)**	**-**	**-**	**(56.9)**
Impairment charge	**(30.6)**	**(20.9)**	**(3.2)**	**(0.4)**	**(16.9)**	**(72.0)**
Amortisation expense	**-**	**(2.7)**	**-**	**(0.4)**	**(1.7)**	**(4.8)**
Foreign exchange differences	**(0.6)**	**0.2**	**0.1**	**(0.1)**	**0.3**	**(0.1)**
Balance at 30 June	**59.3**	**0.7**	**-**	**-**	**-**	**60.0**
At 30 June 2019						
Cost	1,691.0	302.1	13.1	50.5	42.5	2,099.2
Accumulated impairment	(1,543.8)	(14.2)	(9.8)	(0.4)	(0.1)	(1,568.3)
Accumulated amortisation	-	(263.8)	-	(49.2)	(24.1)	(337.1)
Net book amount	147.2	24.1	3.3	0.9	18.3	193.8
Movement						
Balance at 1 July	143.5	31.2	3.1	1.4	19.4	198.6
Acquisitions (note 22)	0.9	(0.3)	-	-	-	0.6
Amortisation expense	-	(8.1)	-	(0.6)	(2.1)	(10.8)
Foreign exchange differences	2.8	1.3	0.2	0.1	1.0	5.4
Balance at 30 June	147.2	24.1	3.3	0.9	18.3	193.8

Recognition and measurement

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Other intangible assets

Other intangible assets, comprising supplier relationships, permits, trade names and contracts, are acquired individually or through business combinations and are stated at cost less accumulated amortisation and impairment losses. Permits have an indefinite life.

Amortisation

Intangible assets with finite useful lives are amortised either on a straight-line basis or on the expected period of future consumption of embodied economic benefits. Customer relationships are amortised over a period of one to seven years, tradenames over 20 years and contracts over a period of one to three years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

Impairment

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired. Other definite lived intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

11 – Intangible assets (continued)

Recognition and measurement (continued)
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 fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the cash generating unit ("CGU") level. CGUs represent the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting period.

Goodwill has been allocated subsequent to impairments and disposals, for impairment testing purposes, to the CGUs as follows:

CGU	**Segment**	**2020 A$m**	2019 A$m
Australia and New Zealand Metals	ANZ Metals	**57.7**	58.0
Continental Europe Recycling Solutions	SLS	**-**	69.8
UK Metals	UK Metals	**-**	15.7
North America Metals	North America Metals	**-**	1.6
All other CGUs		**1.6**	2.1
Total		**59.3**	147.2

Impairment charges
In the year ended 30 June 2020, the following impairment charges were recognised:

CGU	**Goodwill A$m**	**Other intangibles A$m**
Continental Europe Recycling Solutions	**13.0**	**-**
North America Metals	**1.6**	**34.0**
United Kingdom Metals	**15.6**	**7.4**
Other SLS CGUs	**0.4**	**-**
Total	**30.6**	**41.4**

The Continental Europe Recycling Solutions CGU was impacted by the sale of certain European compliance scheme-oriented recycling assets during the half year ended 31 December 2019. As a result, the future cash flows for the CGU were reassessed which indicated the carrying value of goodwill was not fully recoverable. Accordingly, an impairment of the entire goodwill balance for the CGU was required.

During the fiscal year ended 30 June 2020, COVID-19 negatively affected geographies in which the Group operates. Certain areas saw elevated positive case levels and were subject to differing 'lockdown' procedures.

While the operations of the business are considered 'essential' in nearly all jurisdictions, there was a substantial decline in both supply and demand for our products and increased uncertainty in the near term.

In order to accommodate the high level of uncertainty, the Company has split its traditional annual budget into two six month periods. The budget for the period 1 July to 31 December 2020 was approved by the Board at its June meeting. The budget covering the period 1 January to 30 June 2021 will be presented and approved at the December 2020 meeting of the Board.

Budgeting for the half year ending 31 December 2020 was performed on a multi-scenario basis, volumes being the key driver, with the scenario selected reflective of the facts and circumstances known to date. The approach was inclusive of the potential downside risk due to the ongoing global response to COVID-19. The selected scenario represented a midpoint of the scenarios and was incorporated into internal cash flow forecasts used for impairment assessments.

11 – Intangible assets (continued)

As a result of the loss of brand value from a specific legacy trade name of a subsidiary in the NAM CGU, the Group recognised an impairment charge of A$14.6 million related to other intangibles in the half year ended 31 December 2019. The residual other intangible impairments relate to aforementioned negative implications stemming from the COVID-19 pandemic.

Sensitivities
The Group believes that for all CGUs with remaining intangible assets at 30 June 2020, any reasonably likely change in the key assumptions would not cause the carrying value of the CGUs to exceed their recoverable amount. Sufficient headroom was indicated for all CGUs following assessment of the impact of possible changes in key assumptions incorporated within evaluations as at 30 June 2020.

Critical accounting estimate and judgement
Determination of potential impairment requires an estimation of the recoverable amount of the CGUs to which the goodwill and intangible 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 based on historical market data and other assumptions.

Key assumptions used for goodwill and intangible asset impairment tests
The value in use calculations use a five year cash flow projection, which initially considers the near-term budget for the half year ended 31 December 2020 (as approved by the Board) and a residual forecast for the remainder of the projection period prepared by management. These forecasts were based on the outcome of the scenario analysis performed to determine the estimate used by management at the date of testing. The residual forecast is developed using historical averages derived from five years of historical results.

These five year projections also incorporate management estimates related to the inherent impact of future volatility in volumes, commodity prices and margins drawn from past experience and factor in current and expected future economic conditions, taking into consideration potential duration and volatility arising from the COVID-19 pandemic. A terminal value is determined from the final year of cash flow based on application of the Gordon Growth model.

The cash flows are discounted using rates that reflect management’s estimate of the time value of money and the risks specific to each CGU that are not already reflected in the cash flows. In determining appropriate discount rates for each CGU, consideration has been given to a weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the CGU.

The cash flow projections are based on management’s best estimates, with reference to historical results, to determine income, expenses, capital expenditures and cash flows for each CGU. Expected future cash flows used to determine the value in use of goodwill are inherently uncertain and could materially change over time. Should management’s estimate of the future not reflect actual events, further impairments may be identified.

For CGUs utilising the value in use calculation to determine the recoverable amount, the key assumptions used for the value in use calculations were as follows:

	Discount rate (pre-tax)		**Growth rate**	
	2020	2019	**2020**	2019
CGU	**%**	%	**%**	%
North America Metals	**11.0**	10.9	**1.8**	1.6
ANZ Metals	**13.2**	14.0-14.7	**2.0**	1.6-2.1
United Kingdom Metals	**9.9**	10.1	**2.2**	2.3

12 – Income taxes

	2020 A$m	2019 A$m
Income tax expense		
Current income tax charge	**(1.5)**	30.9
Adjustments for prior years	**(7.1)**	1.4
Deferred income tax	**21.0**	33.4
Income tax expense recognised in profit or loss	**12.4**	65.7
Reconciliation of income tax expense to prima facie income tax expense		
(Loss)/profit before income tax	**(252.9)**	218.3
Tax at the standard Australian rate of 30%	**(75.9)**	65.5
Effect of tax rates in other jurisdictions	**9.7**	(9.1)
Deferred tax assets not recognised	**102.1**	1.8
Non-deductible expenses	**12.4**	2.8
Remeasurement of net deferred balances	**(7.3)**	4.5
Recognition of tax effect of previously unrecognised deferred tax assets	**(5.6)**	(8.0)
Share of results of joint ventures	**(2.2)**	(4.3)
Non-assessable income	**(11.0)**	(0.7)
Share-based payments	**(3.3)**	0.7
State and local taxes	**0.7**	6.1
Adjustments for prior years	**(7.1)**	1.4
Other	**(0.1)**	5.0
Income tax expense recognised in profit or loss	**12.4**	65.7
Income tax charged directly to equity		
Share-based payments	**0.5**	1.2
Exchange gain on foreign denominated intercompany loans	**2.4**	9.8
	2.9	11.0
Tax expense/(benefit) relating to items of other comprehensive income		
Cash flow hedges	**0.2**	0.3
Defined benefit plans	**2.0**	(1.4)
	2.2	(1.1)
Deferred tax assets and liabilities		
Deferred tax assets		
The balance comprises temporary difference attributable to:		
(amounts recognised in profit or loss)		
Provisions and other accruals	**18.3**	10.2
Employee benefits	**16.5**	17.3
Property, plant and equipment	**6.0**	17.3
Intangible assets	**15.8**	14.5
Joint ventures	**16.9**	22.9
Tax loss carryforwards and tax credits	**55.8**	57.0
Leases	**77.9**	-
Share-based payments	**-**	0.2
Other	**-**	4.0
	207.2	143.4
(amounts recognised directly in equity)		
Defined benefit plans	**1.3**	3.4
Share-based payments	**13.4**	14.1
	14.7	17.5

12 - Income taxes (continued)

Deferred tax assets and liabilities (continued)

Deferred tax assets (continued)

	2020 A$m	2019 A$m
Balance at 1 July	**160.9**	166.8
Charged to income statement	**72.9**	(5.9)
Adjustments for prior years	**-**	(5.0)
Charged directly to equity and other comprehensive income	**(2.7)**	-
Transfers to deferred tax liabilities	**(9.1)**	-
Foreign exchange differences	**(0.1)**	5.0
Balance at 30 June	**221.9**	160.9

Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2020 A$m	2019 A$m
(amounts recognised in profit or loss)		
Intangible assets	**1.6**	3.3
Leases	**78.0**	-
Property, plant and equipment	**79.6**	69.3
Inventory and consumables	**2.7**	2.7
Joint ventures	**3.1**	2.1
Share-based payments	**6.4**	8.7
Employee benefits	**1.6**	5.1
Other	**-**	0.2
	173.0	91.4
(amounts recognised directly in equity)		
Cash flow hedges	**-**	(0.2)
Exchange gain on foreign denominated intercompany loans	**26.5**	24.0
	26.5	23.8

Movements

	2020 A$m	2019 A$m
Balance at 1 July	**115.2**	89.1
Charged to income statement	**90.7**	14.0
Charged directly to equity and other comprehensive income	**2.5**	10.1
Adjustments for prior years	**-**	1.9
Transfers from deferred tax assets	**(9.1)**	-
Foreign exchange differences	**0.2**	0.1
Balance at 30 June	**199.5**	115.2

Recognition and measurement

Current tax

The income tax expense or benefit for the period is the tax payable on the current period taxable income using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect to prior years.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities and the corresponding tax base. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

12 - Income taxes (continued)

Recognition and measurement (continued)

Deferred tax (continued)
Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of probable future taxable profits.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

As of each reporting date, management considers new evidence, both positive and negative, that could affect its view of the future realisation of deferred tax assets. The net deferred tax assets are all reviewed for realisability each reporting period. In preparing the analysis to determine if there is certainty in future profitability to utilise the deferred assets, in order to be consistent and conservative, the future profitability projected in the Goodwill Impairment models have been used to determine the recognition of the net deferred tax assets.

On 27 March 2020, the US enacted the Coronavirus Aid, Relief and Economic Security ("CARES") Act. Among other things, the CARES Act removed certain limitations on utilisation of net operating losses ("NOLs") and allowed for the carryback of certain past and future NOLs. The Company has applied the NOL carryback provisions of the CARES Act to its estimated NOL for fiscal 2019, which resulted in reclassification of A$10.9 million NOL deferred income tax asset to refundable income taxes and recognition of a A$3.7 income tax benefit in the fiscal year ended 30 June 2020. In addition, due to the TCJA and the CARES Act, the NOL carryback resulted in an AMT cash tax receivable of A$1.4 million at 30 June 2020.

Management reviewed the recoverability of the UK deferred tax asset during FY20. The UK had recognised circa A$64.2 million of deferred tax positions during and prior to FY20. Management considered the likely timing and level of future taxable profits, taking into account volatility of earnings in recent years, and exacerbated by COVID-19. Based on the uncertainty around the ability to recover the deferred tax assets, management derecognised the entire historical deferred tax asset during FY20 and did not capitalise subsequent net realisable losses and deductible temporary items.

At 30 June 2020, the Group has not recognised deferred tax assets totaling A$84.3 million (2019: A$22.9 million) as it is not probable that they will be realised. A portion of the unrecognised deferred tax asset relates to unused tax losses of A$61.7 million (2019: A$16.9 million) due to either a history of tax losses or it is not considered probable that there will be sufficient future taxable profits to realise the benefit of deferred tax assets within certain subsidiary entities. Unrecognised tax losses include A$13.1 million (2019: A$12.5 million) of tax losses that will expire in five to 20 years. Other unused tax losses may be carried forward indefinitely.

Effective 11 March 2020, the U.K. has increased its corporate income tax rate back to 19% from the newly enacted 17% resulting in a tax benefit of A$4.6 million at 30 June 2020 from the increase in the deferred tax asset balance. The entire U.K. net deferred tax asset balance was de-recognised at 30 June 2020.

12 - Income taxes (continued)

Recognition and measurement (continued)

U.K. Brexit
On 31 January 2020, the UK exited from the European Union. There is a transition period whereby the UK will enter into trade agreements and other agreements to facilitate free trade. The Group will be reviewing the changes and will execute appropriate planning as needed.

Tax consolidation legislation
The Company and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 31 October 2005. The Company is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing and funding agreement that provides for the allocation of income tax liabilities between entities should the head entity default on its tax payment obligations. No amounts have been recognised in the consolidated financial statements in respect of this agreement on the basis that the probability of default is remote.

13 – Trade and other payables

	2020 A$m	2019 A$m
Current:		
Trade payables	**223.9**	328.0
Other payables	**126.5**	162.5
Deferred income	**18.9**	45.5
	369.3	536.0
Non-current:		
Other payables	**13.1**	13.8

Recognition and measurement
Trade and other payable amounts represent liabilities for goods and services provided to the Group prior to the end of a financial year, which are unpaid.

Movements in deferred income during the fiscal year relate to revenue recognised upon the satisfaction of performance obligations. Deferred income of A$45.5 million at 30 June 2019 was earned during the fiscal year ended 30 June 2020 and A$18.9 million at 30 June 2020 relates to new performance obligations. A$15.8 million of the deferred income balance at 30 June 2019 relates to entities which have been disposed during the fiscal year ended 30 June 2020.

14 – Provisions

	2020 A$m	2019 A$m
Employee benefits	**56.0**	79.2
Self-insured risks	**26.2**	26.1
Onerous provisions	**17.1**	15.6
Legal provisions	**2.4**	2.0
Property make-good	**31.7**	33.7
Other	**5.1**	4.8
	138.5	161.4
Current	**79.1**	100.5
Non-current	**59.4**	60.9
	138.5	161.4

14 – Provisions (continued)

Movements in each class of provision during the year ended 30 June 2020, other than employee benefits, are set out below:

	Self-insurance risks A$m	Onerous Provisions A$m	Legal A$m	Property make-good A$m	Other A$m
Balance at 1 July	26.1	15.6	2.0	33.7	4.8
Provisions (reversed)/ recognised	(0.4)	2.5	1.7	28.1	0.5
Payments	-	(0.8)	(1.3)	(30.4)	(0.2)
Foreign exchange differences	0.5	(0.2)	-	0.3	-
Balance at 30 June	26.2	17.1	2.4	31.7	5.1

Recognition and measurement
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Other than for loss contracts, provisions are not recognised for future operating losses.

Employee benefits
Provisions are made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and other employee obligations. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Self-insurance
Certain of the Group's subsidiaries are self-insured for health, workers' compensation and general liability claims. Provisions are recognised based on claims reported, and an estimate of claims incurred but not reported. These provisions are determined on a discounted basis, using an actuarially determined method.

Onerous provisions
Provisions for onerous commitments are recognised when the Group believes that the unavoidable costs of meeting the contract obligations exceed the economic benefits expected to be received under the contract.

Property make-good
Provisions are recorded for estimated make-good expenses for the Group's leased properties and environmental rehabilitation costs. The provision is an estimate of costs for property remediation that is expected to be required in the future.

The Group is subject to comprehensive environmental requirements relating to, among others, the acceptance, storage, treatment, handling and disposal of solid waste and hazardous waste; the discharge of materials and storm water into the environment; the management and treatment of wastewater and storm water and the remediation of soil and groundwater contamination. As a consequence, the Group has incurred, and will continue to incur, environmental costs and liabilities associated with site and facility operation, closure, remediation, monitoring and licensing.

Provisions have been made in respect of estimated environmental liabilities where obligations are known to exist and can be reasonably measured. However, additional liabilities may emerge due to a number of factors, including changes in environmental laws and regulations in each of the jurisdictions in which the Group operates or has operated. The Group cannot predict the extent to which it may be impacted in the future by any such changes in legislation or regulation.

14 – Provisions (continued)

Recognition and measurement (continued)

Legal claims
Various Group companies are parties to legal actions and claims that arise in the ordinary course of their business. While the outcome of such legal proceedings cannot be readily foreseen, the Group believes that they will be resolved without material effect on its financial statements. Provision has been made for known obligations where the existence of the liability is probable and can be reasonably estimated and there are no contingent obligations the Group are aware of.

15 – Retirement benefit obligations

The Group operates a number of pension plans for the benefit of its employees throughout the world. The Group's pension plans are provided through either defined contribution or defined benefit plans.

Defined contribution plans
Defined contribution plans offer employees individual funds that are converted into benefits at the time of retirement. The defined contribution plans receive fixed contributions from Group companies with the Group's legal obligation limited to these contributions. The Group made contributions of A$11.3 million in the year ended 30 June 2020 (2019: A$12.0 million).

Defined benefit plans
The Group operates different defined benefit plans in the UK, Australia and US. The specific characteristics (benefit formulas, funding policies and types of assets held) of the defined benefit plans vary according to the regulations and laws in the country where the defined benefit plans are offered.

The amounts recognised in the statement of financial position are determined as follows:

	2020 **A$m**	2019 A$m
Fair value of defined benefit plan assets	**94.7**	96.9
Present value of accumulated defined benefit obligations	**(91.9)**	(97.1)
Net amount	**2.8**	(0.2)
Net amount comprised of:		
Retirement benefit assets	**7.3**	2.7
Retirement benefit obligations	**(4.5)**	(2.9)
Net defined benefit (obligation)/asset	**2.8**	(0.2)

The movements in the net defined benefit balance during the year ended 30 June 2020 are outlined below:

	2020 **A$m**	2019 A$m
Balance at the beginning of the financial year	**(0.2)**	6.1
Actuarial (losses)/gains recorded in comprehensive income	**3.1**	(7.2)
Current service cost	**(0.6)**	(0.7)
Past service cost	**-**	(0.6)
Net interest income	**-**	0.2
Employer contributions	**0.9**	1.9
Foreign exchange differences	**(0.4)**	0.1
Balance at the end of the financial year	**2.8**	(0.2)

15 – Retirement benefit obligations (continued)

Defined benefit plans (continued)

The principal actuarial assumptions, as expressed as a weighted average, used to calculate the net defined benefit balance were as follows:

	2020	2019
Discount rate	**2.0%**	2.6%
Rate of increase in salaries	**3.1%**	3.3%
Rate of increase in Retail Price Index (UK defined benefit plan only)	**2.6%**	3.2%

The Group expects to make contributions of A$1.2 million to the defined benefit plans during the next financial year.

The major categories of plan assets are as follows:

	2020 A$m	2019 A$m
Cash	**9.7**	6.6
Equity investments	**29.0**	38.0
Debt instruments	**55.0**	51.0
Property and other assets	**1.0**	1.3
Total plan assets	**94.7**	96.9

Recognition and measurement

The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. Remeasurements of the net defined benefit balance, excluding interest, are recognised immediately in other comprehensive income.

The Group determined the net interest income on the net defined benefit balance for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the opening net defined benefit balance, adjusted for any changes in the net defined benefit balance during the period resulting from contributions and benefit payments. Net interest income related to the defined benefit plans is recognised in the income statement.

16 – Other financial assets and liabilities

	2020 A$m	2019 A$m
Other financial assets – Current:		
Investments in marketable securities	**12.8**	14.1
Loans to third parties carried at amortised cost	**-**	0.5
Trust assets	**3.0**	-
Lease receivable	**1.4**	-
Derivative financial instruments:		
Forward foreign exchange contracts	**3.3**	0.1
Forward commodity contracts	**-**	2.8
	20.5	17.5
Other financial assets – Non-current:		
Loans to related parties carried at amortised cost	**57.9**	-
Long term lease receivable	**39.9**	-
Other receivables	**17.3**	18.1
	115.1	18.1
Other financial liabilities – Current:		
Derivative financial instruments:		
Forward commodity contracts	**9.6**	-
Forward foreign exchange contracts	**2.5**	2.5
	12.1	2.5
Other financial liabilities – Non-current:		
Derivative financial instruments:		
Forward foreign exchange contracts	**1.8**	-
	1.8	-

Recognition and measurement

Derivative financial instruments

Refer to note 21.

The recoverability of other receivables at 30 June 2020 has been assessed to consider the impact of the COVID-19 pandemic and no material recoverability issues have been identified.

Investments in marketable securities

Investments in marketable securities are designated as a financial asset at fair value through profit or loss. Investments in marketable securities are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. The fair value of the investment is based on last quoted price. Unrealised gains and losses arising from changes in the fair value are recognised in profit or loss.

CAPITAL STRUCTURE AND RISK MANAGEMENT

17 – Cash and cash equivalents

	2020 A$m	2019 A$m
Cash at bank and on hand	**227.3**	382.9
Cash and cash equivalents	**227.3**	382.9

Reconciliation of profit for the year ended 30 June to net cash inflows from operating activities

	2020 A$m	2019 A$m
(Loss)/profit for the year ended 30 June	**(265.3)**	152.6
Adjustments for non-cash items:		
Depreciation and amortisation	**202.8**	133.1
Non-cash interest expense	**0.9**	1.4
Equity accounted results net of dividends received	**(8.4)**	(33.1)
Non-cash share-based payments expense	**15.2**	20.0
Unrealised loss on held for trading derivatives	**12.0**	1.6
Non-cash retirement benefit expense	**0.6**	0.7
Non–cash forgiveness of debt	**(0.4)**	(0.4)
Net gain on disposal of property, plant and equipment	**(26.8)**	(5.4)
Loss on disposal of subsidiaries	**8.9**	-
Impairment of intangible assets	**72.0**	-
Impairment of property, plant and equipment	**42.1**	-
Impairment of right of use assets	**6.2**	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(18.0)**	100.4
Decrease in inventories	**20.4**	139.1
Increase/(decrease) in prepayments	**3.9**	(6.4)
(Decrease) in provisions	**(19.3)**	(33.3)
(Decrease) in income taxes	**(33.0)**	(20.9)
Decrease in deferred taxes	**17.9**	24.1
(Decrease) in trade and other payables	**(97.0)**	(113.4)
Net cash (outflows)/inflows from operating activities	**(65.3)**	360.1

Reconciliation of liabilities arising from financing activities

	Borrowings A$m	Leases liabilities A$m
Balance at 30 June 2019	**35.4**	**0.0**
Financing cash flows	**84.1**	**(68.2)**
Non–cash forgiveness of debt	**(0.4)**	**-**
Adoption of AASB 16	**-**	**328.3**
Lease additions	**-**	**104.6**
Non–cash foreign exchange movement	**(2.2)**	**(7.8)**
Other movements	**-**	**6.6**
Balance at 30 June 2020	**116.9**	**363.5**

Recognition and measurement

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

18 - Borrowings

Non-current borrowings consist of A$116.9 million, primarily related to bank loans.

The Group has access to unsecured global multi-currency/multi-option loan facilities, all of which are subject to common terms. The Group had access to the following credit standby arrangements at the balance date. The amount of credit available is subject to limits from loan covenants as specified in the loan facilities.

	2020	2019
	A$m	A$m
Unsecured global multi-currency/multi-option loan facilities	**636.3**	627.4
Amount of credit unused, inclusive of financial guarantees on loan facilities	**484.8**	528.4

On 28 January 2020, the Group renewed its loan facilities, which extended the maturity date through 31 October 2022. The group incurred A$8.6 million of finance costs, excluding lease interest, during the year ended 30 June 2020, mainly comprised of interest on external borrowings and commitment fees on the Group's loan facilities (2019: A$7.9 million).

There have been no breaches of the Group's bank covenants during the period.

Recognition and measurement
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption amount is recognised in profit or loss over the period of the borrowings, using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

19 – Contributed equity

		2020		2019
	Number of shares	**A$m**	Number of shares	A$m
On issue per share register at the beginning of the period	**202,730,877**	**2,750.2**	202,662,448	2,767.8
Share buy-back	**(1,705,898)**	**(16.5)**	(1,708,114)	(19.3)
Issued under long-term incentive plans	**192,507**	**1.9**	1,776,543	1.7
On issue per share register at the end of the period	**201,217,486**	**2,735.6**	202,730,877	2,750.2
Less: Treasury shares held at the end of the period	(110,850)	(1.2)	-	-
Total contributed equity	**201,106,636**	**2,734.4**	202,730,877	2,750.2

Holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholders' meetings.

Share buy-back
On 8 November 2019, the Company announced a new share buy-back programme for 12 months with a maximum number of shares that can be purchased of approximately 20.3 million. During the year ended 30 June 2020, the Company purchased 1,705,898 ordinary shares for total consideration of A$16.5 million under its current buy-back programme.

19 – Contributed equity (continued)

Share buy-back (continued)

On 16 October 2018, the Company announced a new share buy-back programme for 12 months with a maximum number of shares that can be purchased of approximately 20.4 million. During the year ended 30 June 2019, the Company purchased and cancelled 1,708,114 ordinary shares for total consideration of A$19.3 million under its buy-back programmes at that time.

Employee share ownership programme trusts

During August 2019, the Company established two separate employee share ownership programme trusts for the benefit of all long-term incentive plan eligible employees of the Company. The trust uses funds provided by Sims Limited and/or its subsidiaries to acquire shares on market to satisfy exercises and vestings under the Group's long-term incentive plans. Of the outstanding shares as of 30 June 2020, the trusts held 110,850 shares.

Excluding shares held in the employee share ownership programme trusts, the number of shares held in equity as at 30 June 2020 was 201,106,636 with a value of A$2,734.4 million. The weighted average number of shares used for the purposes of calculating basic earnings per share is calculated after deduction of the shares held by the Group's trusts.

Recognition and measurement

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

When the Company purchases any of its own equity instruments, for example, as a result of a share buy-back, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from contributed equity and any reacquired shares are cancelled upon their purchase.

20 – Reserves and accumulated deficit

Reserves

	Share-based payments A$m	**Cash flow hedging A$m**	**Foreign currency translation A$m**	**Total A$m**
Balance at 1 July 2018	204.9	(1.2)	(56.1)	147.6
Equity-settled share-based payment expense	20.0	-	-	20.0
Revaluation – gross	-	(0.7)	-	(0.7)
Transfer to profit or loss – gross	-	1.8	-	1.8
Foreign currency translation differences	-	-	78.9	78.9
Deferred tax	(1.2)	(0.3)	(9.8)	(11.3)
Balance at 30 June 2019	223.7	(0.4)	13.0	236.3
Equity-settled share-based payment expense	**14.9**	**-**	**-**	**14.9**
Transfer to profit or loss – gross	**-**	**0.6**	**-**	**0.6**
Share of joint venture's other comprehensive income	**-**	**(1.1)**	**-**	**(1.1)**
Gain reclassified to profit or loss on disposal of foreign operations	**-**	**-**	**(3.8)**	**(3.8)**
Foreign currency translation differences	**-**	**-**	**23.1**	**23.1**
Deferred tax	**(0.5)**	**(0.2)**	**(2.4)**	**(3.1)**
Balance at 30 June 2020	**238.1**	**(1.1)**	**29.9**	**266.9**

20 – Reserves and accumulated deficit (continued)

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of share-based awards issued to employees.

Cash flow hedging reserve

The cash flow hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income. Amounts are recognised in profit or loss when the associated hedged transaction impacts profit or loss. The Group primarily uses forward foreign exchange contracts.

Foreign currency translation reserve

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the Group disposes of the foreign operation.

Accumulated deficit

	2020 A$m	2019 A$m
Balance at 1 July	**(687.8)**	(726.7)
(Loss)/profit after tax	**(265.3)**	152.6
Dividends paid	**(50.6)**	(107.9)
Treasury shares purchased	**(16.3)**	-
Actuarial gain/(loss) on defined benefit plans, net of tax	**1.0**	(5.8)
Balance at 30 June	**(1,019.0)**	(687.8)

21 – Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk, commodity price risk and equity securities price risk), credit risk and liquidity risk. The Group's overall financial risk management strategy seeks to mitigate these risks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by a limited number of employees as authorised by the Board. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and the investment of excess liquidity.

The Risk Committee ("RC") of the Board oversees the monitoring of compliance by management with the Group's risk management framework. The RC is assisted in its oversight role by Internal Audit which undertakes reviews of key management controls and procedures.

The Group uses derivative financial instruments in certain circumstances in accordance with Board approved policies to hedge exposure to fluctuations in foreign exchange rates and commodity prices. Derivative financial instruments are used for hedging purposes and not as trading or other speculative instruments.

Capital risk management

The primary objective of managing the Group's capital is to ensure that there is sufficient capital available to support the funding requirements of the Group, including capital expenditure, in a way that optimises the cost of capital, maximises shareholders' returns and ensures that the Group remains in a sound financial position. In order to manage the capital structure, the Group may periodically adjust dividend policy, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital structure primarily using the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity as shown in the statement of financial position plus net debt. As at 30 June 2020, the Group had a net cash position of A$110.4 million (2019: A$347.5 million).

21 – Financial risk management (continued)

Market risk
Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates, will affect the Group's net profit or the value of its holdings of financial instruments.

(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk, primarily with respect to transactions settled in US dollars. The exposure of an entity to transaction risk is minimised by matching local currency income with local currency costs.

The Group enters into forward foreign exchange contracts to hedge sales or purchase commitments denominated in currencies that are not the functional currency of the relevant entity. These contracts are typically entered for a period of three to six months based on when the transaction is expected to settle.

The Group's exposure to foreign exchange risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	Net financial assets/(liabilities)	
	2020	2019
Currency:	**A$m**	A$m
US dollar	**30.0**	121.3
Euro	**7.1**	15.3
British pounds sterling	**(0.3)**	(0.1)

The table below shows the net impact of a 10% appreciation of the relevant currency against the Australian dollar for the balances above with all other variables held constant and the corresponding effect on the Group's forward foreign exchange contracts with all other variables held constant.

	Impact on post-tax profit – (lower)	
	2020	2019
	A$m	A$m
US dollar	**(11.2)**	(6.3)
Euro	**(0.7)**	(0.7)

	Impact on equity – higher	
	2020	2019
	A$m	A$m
US dollar	**41.8**	33.5

The impact on equity includes the effect from intragroup long-term borrowings which, in substance, form part of the Group's investment in an entity. Exchange gains and losses on these balances are recorded in the foreign currency translation reserve.

A 10% depreciation of the relevant currency against the Australian dollar would have an equal and opposite effect.

(ii) Commodity price risk
The Group is exposed to risks associated with fluctuations in the market price for ferrous and non-ferrous metals and precious metals, which are at times volatile. The Group seeks to mitigate commodity price risk by seeking to turn over its inventories quickly, instead of holding inventories in anticipation of higher commodity prices.

The Group uses forward commodity contracts matched to purchases or sales of non-ferrous metals (primarily copper, nickel and aluminium) and certain precious metals (primarily gold, silver and palladium) where viable forward commodity contracts are available to minimise price risk exposure. The hedges undertaken aim to protect margins and provide downside protection of the underlying value of on-site finished goods inventories and unpriced in-transit sales.

At the end of the reporting period, none of the Group's forward commodity contracts qualified for hedge accounting, despite being valid economic hedges of the relevant risk. Accordingly, any movement in commodity rates that impact the fair value of these forward commodity contracts are recorded in profit or loss. Note 16 shows the carrying amount of the Group's forward commodity contracts at the end of the reporting period.

A 10% appreciation in commodity prices on outstanding forward commodity contracts, with all other variables held constant, would result in lower net profit of A$8.2 million (2019: A$14.1 million). A 10% depreciation of the stated commodity prices would have an equal and opposite effect.

21 – Financial risk management (continued)

Market risk (continued)

(iii) Interest rate risk

The Group is exposed to interest rate risk as entities borrow funds at variable interest rates. The Group does not use any derivative financial instruments to manage its exposure to interest rate risk. Cash deposits, loans to third parties and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The interest rate risk for interest-bearing liabilities is immaterial in terms of possible impact on profit or loss.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

The Group establishes credit limits for its customers. Trade and other receivables consist of a large number of customers, spread across various metal producing sectors in international markets. Ongoing credit evaluation is performed on the financial condition of the Group's customers and, where appropriate, a loss allowance is raised. For certain customers, the Group purchases credit insurance to protect itself against collection risks.

The Group is also exposed to credit risk arising from the Group's transactions in derivative contracts. For credit purposes, there is only a credit risk where the counterparty is liable to pay the Group in the event of a closeout.

The Group has policies that limit the amount of credit exposure to any financial institution. Derivative counterparties and cash transactions are limited to financial institutions that have a minimum credit rating of "A" by either Standard & Poor's or Moody's, unless otherwise approved by the Board. Management also monitors the current credit exposure with each counterparty. Any changes to counterparties or their credit limits must be approved by the Group Chief Financial Officer.

Liquidity risk

Liquidity risk is associated with ensuring that there is sufficient cash and cash equivalents on hand and the availability of funding through an adequate amount of committed credit facilities to meet the Group's obligations as they mature and the ability to close out market positions.

The Group manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic and volatile nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. This monitoring was enhanced during the year, with the establishment of a COVID task force which ensured liquidity was maintained during the global pandemic. Included in note 18 is a summary of undrawn facilities that the Group can draw upon if required.

The contractual cash flows of the Group's financial liabilities are shown in the table below. The contractual amounts represent the future undiscounted cash flows. The amounts for interest bearing liabilities also include interest cash flows and therefore, do not equate to the carrying amount. The expected timing of cash outflows are set out below.

21 – Financial risk management (continued)

Liquidity risk (continued)

	Less than 1 year A$m	Between 1 and 5 years A$m	Over 5 years A$m	Total A$m
2020				
Non-derivatives:				
Trade and other payables	**369.3**	**8.5**	**4.6**	**382.4**
Borrowings	**-**	**116.9**	**-**	**116.9**
Derivatives:				
Net settled (forward commodity contracts)	**9.6**	**-**	**-**	**9.6**
Gross settled (forward foreign exchange contracts):				
- (inflows)	**(118.1)**	**(25.9)**	**-**	**(144.0)**
- outflows	**120.6**	**27.7**	**-**	**148.3**
	381.4	**127.2**	**4.6**	**513.2**
Interest on financial commitments	**4.7**	**6.3**	**-**	**11.0**
Financial guarantees[1]	**57.0**	**-**	**-**	**57.0**
	443.1	**133.5**	**4.6**	**581.2**
2019				
Non-derivatives:				
Trade and other payables	536.0	8.6	5.2	549.8
Borrowings	0.2	35.2	-	35.4
Derivatives:				
Net settled (forward commodity contracts)	-	-	-	-
Gross settled (forward foreign exchange contracts):				
- (inflows)	(309.0)	-	-	(309.0)
- outflows	311.5	-	-	311.5
	538.7	43.8	5.2	587.7
Interest on financial commitments	4.6	1.5	-	6.1
Financial guarantees[1]	74.8	-	-	74.8
	618.1	45.3	5.2	668.6

[1] Refer to note 28 for details on financial guarantees. The amounts disclosed above are the maximum amounts allocated to the earliest period in which the guarantee could be called. However, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement.

Fair value

The carrying amounts and estimated fair values of the Group's financial assets and liabilities are materially the same.

The fair value of financial instruments traded on active markets (such as publicly traded derivatives and investments in marketable securities) is based on quoted market prices at the reporting date. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (such as forward foreign exchange contracts) is determined using readily observable broker quotes. These instruments are included in level 2.

There were no transfers between levels during the year.

21 – Financial risk management (continued)

Fair value (continued)

Valuation of financial assets and liabilities

Financial instruments carried at fair value are classified by valuation method using the following hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Recognition and measurement

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting 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 do not qualify for hedge accounting, despite being valid economic hedges of the relevant risks. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses. Refer to Note 4 for the impact of hedge gains or losses for non-qualified hedges.

The Group documents, at the inception of the hedging transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item impacts profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within revenue.

Where the hedged item is the cost of a non-financial asset or liability, such as a forecast transaction for the purchase of property, plant and equipment, the amounts recognised within other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gains or losses that were deferred in equity are immediately transferred to profit or loss.

GROUP STRUCTURE

22 –Business acquisitions and disposals

During the year ended 30 June 2019, the Group acquired one business in the ANZ segment for total consideration of A$9.4 million. On a combined basis, had the acquisition occurred on 1 July 2018, there would not have been a significant change to the Group's revenue and net profit. Additionally, revenue and net profit contribution by the business acquired to the Group post-acquisition was not significant.

During the year ended 30 June 2020, the Group sold its European compliance scheme operations to TSR Recycling. The sale was effective as of 30 September 2019 with a final closing date on 1 April 2020. The consideration and the carrying amount of the net assets at the date of disposal are as follow (in A$m):

Total cash consideration		**149.9**
Less: cash settlement of loans prior to closing		**(28.7)**
Net cash inflow on disposal of businesses		**121.2**
Net carrying value of disposed assets:		
Cash	**6.7**	
Receivables	**22.9**	
Inventories	**92.0**	
Other assets	**2.0**	
Property, plant and equipment, net	**33.1**	
Goodwill and other intangibles, net	**56.9**	
Payables	**(74.6)**	
Other liabilities	**(5.8)**	
Less: total net carrying value of disposed assets		**(133.2)**
Gain reclassified to profit or loss on disposal of foreign operations		**3.7**
Loss on business disposal		**(8.3)**
Transaction costs associated with disposal		**0.9**
Net loss on business disposal		**(9.2)**

Additionally during the fiscal year ended 30 June 2020, the Group sold its South Africa operations. The sale was effective as of 30 June 2020 total consideration of A$0.2 million resulting in a loss on sale of A$0.7 million, included in other expenses.

There were no disposals of subsidiaries made in the fiscal year ended 30 June 2019.

23 – Subsidiaries

Name of entity	Country of Incorporation	Equity holding % 2020	Equity holding % 2019
Sims Limited (i)	Australia		
Electronic Product Stewardship Australasia Pty Limited	Australia	**90%**	90%
Sims Aluminium Pty Limited (i)	Australia	**100%**	100%
Sims E-Recycling Pty Limited	Australia	**90%**	90%
Sims Energy Limited (iv)	Australia	**100%**	0%
Sims Group Australia Holdings Limited (i)	Australia	**100%**	100%
Sims Group Holdings 1 Pty Ltd	Australia	**100%**	100%
Sims Group Holdings 2 Pty Ltd	Australia	**100%**	100%
Sims Group Holdings 3 Pty Limited	Australia	**100%**	100%
Sims Industrial Pty Limited	Australia	**100%**	100%
Simsmetal Holdings Pty Limited	Australia	**100%**	100%
Simsmetal Properties NSW Pty Limited	Australia	**100%**	100%
Simsmetal Properties Qld Pty Limited	Australia	**100%**	100%
Simsmetal Services Pty Limited (i)	Australia	**100%**	100%

23 – Subsidiaries (continued)

Name of entity	Country of Incorporation	Equity holding % 2020	2019
Sims Resource Renewal Pty Limited (iv)	Australia	**100%**	0%
Universal Inspection and Testing Company Pty Limited	Australia	**100%**	100%
Sims metrade GmbH (ii)	Austria	**0%**	100%
Sims Recycling Solutions Austrian Holding GmbH (ii)	Austria	**0%**	100%
Sims Recycling Solutions Austrian Intermediate Holdings GmbH (ii)	Austria	**0%**	100%
Sims Recycling Solutions NV (ii)	Belgium	**0%**	100%
Sims Group Canada Holdings Limited	Canada	**100%**	100%
Sims Group Recycling Solutions Canada Ltd	Canada	**100%**	100%
Sims Recycling Solutions s.r.o.	Czech Republic	**100%**	100%
Sims Recycling Solutions FZE	Dubai	**100%**	100%
Sims Group German Holdings GmbH	Germany	**100%**	100%
Sims Lifecycle Services GmbH	Germany	**100%**	100%
Sims M+R GmbH (ii)	Germany	**0%**	100%
Sims Metal Management Asia Limited	Hong Kong	**100%**	100%
Sims Metal Management China Holdings Limited (iii)	Hong Kong	**0%**	100%
Sims Recycling Solutions India Private Limited	India	**100%**	100%
Trishyiraya Recycling India Private Limited	India	**100%**	100%
Sims Recycling Solutions Ireland Limited	Ireland	**100%**	100%
Mirec BV (ii)	Netherlands	**0%**	100%
Sims Lifecycle Services BV	Netherlands	**100%**	100%
Sims Recycling Solutions Coöperatief B.A.	Netherlands	**100%**	100%
Sims E - Recycling (NZ) Limited	New Zealand	**90%**	90%
Sims Pacific Metals Limited	New Zealand	**100%**	100%
Simsmetal Industries Limited	New Zealand	**100%**	100%
Sims Recycling Solutions AS	Norway	**0%**	100%
Gaukara Company No. 2 Limited	Papua New Guinea	**100%**	100%
PNG Recycling Limited	Papua New Guinea	**100%**	100%
Sims Recycling Solutions Sp. z.o.o.	Poland	**100%**	100%
Sims Recycling Solutions Africa Pty Ltd (ii)	Republic of South Africa	**0%**	100%
Sims Global Commodities Pte. Ltd.	Singapore	**100%**	100%
Sims Recycling Solutions Pte. Ltd.	Singapore	**100%**	100%
Sims Recycling Solutions AB	Sweden	**0%**	100%
Cooper Metal Recycling Ltd	UK	**100%**	100%
Deane Wood Export Limited	UK	**100%**	100%
Dunn Brothers (1995) Limited	UK	**100%**	100%
Kaystan Holdings Limited	UK	**100%**	100%
Lord & Midgley Limited	UK	**100%**	100%
Morley Waste Traders Limited	UK	**100%**	100%
Sims Energy Limited	UK	**90%**	90%
Sims Foundry Limited	UK	**100%**	100%
Sims Renewable Energy Limited	UK	**100%**	100%
Sims Group UK Holdings Limited	UK	**100%**	100%
Sims Group UK Intermediate Holdings Limited	UK	**100%**	100%
Sims Group UK Limited	UK	**100%**	100%
Sims Group UK Pension Trustees Limited	UK	**100%**	100%
Sims Metal Management Finance Limited	UK	**100%**	100%
Sims Metal Management U.K. Limited	UK	**100%**	100%
Sims Recycling Solutions Limited	UK	**100%**	100%

23 – Subsidiaries (continued)

Name of entity	Country of Incorporation	Equity holding % 2020	Equity holding % 2019
United Castings Limited	UK	**100%**	100%
CIM Trucking, Inc.	US	**100%**	100%
Converge Engineering LLC	US	**100%**	100%
Dover Barge Company	US	**100%**	100%
Metal Dynamics Detroit LLC	US	**100%**	100%
Metal Management Indiana, Inc.	US	**100%**	100%
Metal Management Memphis, L.L.C.	US	**100%**	100%
Metal Management Midwest, Inc.	US	**100%**	100%
Metal Management Northeast, Inc.	US	**100%**	100%
Metal Management Ohio, Inc.	US	**100%**	100%
Metal Management Pittsburgh, Inc.	US	**100%**	100%
Metal Management, Inc.	US	**100%**	100%
Naporano Iron & Metal, Inc.	US	**100%**	100%
New York Recycling Ventures, Inc.	US	**100%**	100%
Port Albany Ventures, LLC	US	**100%**	100%
Sims Southwest Corporation (formerly Proler Southwest Corporation)	US	**100%**	100%
Schiabo Larovo Corporation	US	**100%**	100%
Sims Group Global Trade Corporation	US	**100%**	100%
Sims Group USA Corporation	US	**100%**	100%
Sims Group USA Holdings Corporation	US	**100%**	100%
Sims Metal Management USA GP	US	**100%**	100%
Sims Municipal Recycling of New York, LLC	US	**100%**	100%
Sims Recycling Solutions Holdings Inc.	US	**100%**	100%
Sims Recycling Solutions Inc.	US	**100%**	100%
Simsmetal East LLC	US	**100%**	100%
Simsmetal West LLC	US	**100%**	100%
SMM – North America Trade Corporation	US	**100%**	100%
SMM Gulf Coast LLC	US	**100%**	100%
SMM New England Corporation	US	**100%**	100%
SMM South Corporation	US	**100%**	100%
SMM Southeast LLC	US	**100%**	100%

(i) These subsidiaries and the Company are parties to a Deed of Cross Guarantee under which each entity guarantees the debts of the others. The above entities represent a Closed Group and an Extended Closed Group for the purposes of the relevant Australian Securities and Investments Commission Class Order.
(ii) These subsidiaries were divested in the current year. See note 22 for more detail.
(iii) These subsidiaries were dissolved in the current year.
(iv) These subsidiaries were formed in the current year.

Deed of Cross Guarantee

Sims Limited, Sims Group Australia Holdings Limited, Sims Aluminium Pty Limited and Simsmetal Services Pty Limited are parties to a Deed of Cross Guarantee ("DCG") under which each company guarantees the debts of the others. By entering into the DCG, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly owned Companies) Instrument 2016/785, which was issued 21 May 2020.

The above companies represent a "Closed Group" for the purposes of the Class Order. As there are no other parties to the DCG that are controlled by Sims Limited, they also represent the "Extended Closed Group".

Set out below are the condensed consolidated income statement, a consolidated statement of comprehensive income, a summary of movements in consolidated accumulated deficit and a consolidated statement of financial position for the Closed Group.

23-Subsidiaries (continued)

Deed of Cross Guarantee (continued)

(i) Condensed consolidated income statement

	2020 A$m	2019 A$m
Profit before income tax	**108.3**	110.2
Income tax expense	**(13.0)**	(37.9)
Profit after tax	**95.3**	72.3

(ii) Consolidated statement of comprehensive income

	2020 A$m	2019 A$m
Profit after tax	**95.3**	72.3
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Changes in the fair value of derivatives held as cash flow hedges, net of tax	**0.4**	0.8
Item that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on defined benefit plans, net of tax	**(0.1)**	(1.0)
Other comprehensive income for the year, net of tax	**0.3**	(0.2)
Total comprehensive income for the year	**95.6**	72.1

(iii) Summary of movements in consolidated accumulated deficit

	2020 A$m	2019 A$m
Balance at 1 July	**(935.3)**	(898.7)
Profit for the year	**95.3**	72.3
Actuarial (loss)/gain on defined benefit plans, net of tax	**(0.1)**	(1.0)
Trust reserves	**(16.3)**	-
Dividends provided for or paid	**(50.6)**	(107.9)
Balance at 30 June	**907.0**	(935.3)

(iv) Consolidated statement of financial position

	2020 A$m	2019 A$m
Current assets		
Cash and cash equivalents	**95.1**	86.8
Trade and other receivables	**170.8**	207.2
Inventories	**87.2**	72.6
Other financial assets	**5.8**	-
Assets held for sale	**0.1**	-
Total current assets	**359.0**	366.6
Non-current assets		
Investments in joint ventures	**67.1**	62.4
Other financial assets	**1,623.0**	1,588.6
Right of use assets	**30.0**	-
Property, plant and equipment	**258.6**	235.5
Deferred tax assets	**59.0**	23.2
Intangible assets	**42.3**	42.4
Total non-current assets	**2,080.0**	1,952.1
Total assets	**2,439.0**	2,318.7

23-Subsidiaries (continued)

Deed of Cross Guarantee (continued)
(iv) Consolidated statement of financial position (continued)

	2020 A$m	2019 A$m
Current liabilities		
Trade and other payables	**164.4**	202.4
Lease liabilities	**18.1**	-
Borrowings	**-**	0.1
Other financial liabilities	**0.7**	0.9
Current tax liabilities	**2.6**	11.1
Provisions	**17.5**	23.1
Total current liabilities	**203.3**	237.6
Non-current liabilities		
Payables	**-**	4.3
Lease liabilities	**88.7**	-
Retirement benefit obligations	**1.0**	0.4
Deferred tax liabilities	**76.3**	34.7
Provisions	**5.6**	4.9
Total non-current liabilities	**171.6**	44.3
Total liabilities	**374.9**	281.9
Net assets	**2,064.1**	2,036.8
Equity		
Contributed equity	**2,734.4**	2,750.2
Reserves	**236.7**	221.9
Accumulated deficit	**(907.0)**	(935.3)
Total equity	**2,064.1**	2,036.8

24 – Interests in other entities

Joint ventures

Name	**Principal Activity**	**Country of incorporation**	**Ownership interest %**	
			2020	2019
SA Recycling, LLC (“SAR”)	Recycling	US	**50**	50
LMS Energy Pty Ltd (“LMS”)	Renewable energy	Australia	**50**	50
Richmond Steel Recycling Limited	Recycling	Canada	**50**	50
Rondout Iron & Metal Company LLC	Recycling	US	**50**	50
Simstar Alloys Pty Limited	Recycling	Australia	**50**	50

Movements in carrying amounts of joint ventures

2020	**SAR A$m**	**Other A$m**	**Total A$m**
Balance at 1 July	**211.1**	**101.6**	**312.7**
Share of results	**12.1**	**4.7**	**16.8**
Share of other comprehensive income	**(1.1)**	**-**	**(1.1)**
Dividends received	**(5.9)**	**(2.5)**	**(8.4)**
Foreign exchange differences	**3.4**	**(0.6)**	**2.8**
Balance at 30 June	**219.6**	**103.2**	**322.8**

24 – Interests in other entities (continued)

Movements in carrying amounts of joint ventures (continued)

2019	**SAR A$m**	**Other A$m**	**Total A$m**
Balance at 1 July	180.7	86.7	267.4
Share of results	41.0	15.5	56.5
Dividends received	(20.9)	(2.5)	(23.4)
Foreign exchange differences	10.3	1.9	12.2
Balance at 30 June	211.1	101.6	312.7

Summarised financial information of joint ventures

2020			
Statement of financial position			
Current assets	**134.6**	**40.7**	**175.3**
Non-current assets	**276.2**	**74.3**	**350.5**
Current liabilities	**56.9**	**10.9**	**67.8**
Non-current liabilities	**130.2**	**6.7**	**136.9**
Income statement			
Revenue	**858.2**	**72.3**	**930.4**
Share of net profit for the year	**12.1**	**4.7**	**16.8**
2019			
Statement of financial position			
Current assets	146.6	50.1	196.7
Non-current assets	256.0	61.1	317.1
Current liabilities	64.2	11.8	76.0
Non-current liabilities	122.9	4.1	127.0
2019			
Income statement			
Revenue	1,061.5	106.9	1,168.4
Share of net profit for the year	41.0	15.5	56.5

Balances and transactions with joint ventures

2020			
Sales of goods and services	**-**	**-**	**-**
Purchases of goods and services	**427.7**	**2.5**	**430.2**
Management and other fees and commissions	**3.2**	**0.9**	**4.1**
Current receivables	**2.0**	**-**	**2.0**
Current payables	**26.5**	**0.1**	**26.6**
2019			
Sales of goods and services	-	0.2	0.2
Purchases of goods and services	549.4	2.7	552.1
Management and other fees and commissions	2.4	1.6	4.0
Current receivables	2.5	0.4	2.9
Current payables	16.0	0.4	16.4

Recognition and measurement

Investments in joint ventures have been accounted for under the equity method of accounting. The Group's share of net profit of joint ventures is recorded in the income statement.

24 – Interests in other entities (continued)

Recognition and measurement (continued)

Investments in joint ventures are annually tested for impairment and whenever the Group believes events or changes in circumstances indicate that the carrying value amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the investment exceeds its recoverable amount. The recoverable amount is the higher of an investment's fair value less costs to sell and value in use.

25 – Parent entity information

The Company was incorporated on 20 June 2005. Under the terms of a scheme of arrangement entered into between Sims Limited (formerly known as Sims Metal Management Limited from 22 November 2008 to 24 November 2019 and Sims Group Limited from 20 June 2005 to 21 November 2008) and Sims Group Australia Holdings Limited ("SGAHL") (formerly known as Sims Group Limited prior to 20 June 2005) on 31 October 2005, the shareholders in SGAHL exchanged their shares in that entity for the shares in Sims Limited.

SGAHL was deemed to be the acquirer in this business combination. This transaction has therefore been accounted for as a reverse acquisition. Accordingly, the consolidated financial statements of Sims Limited have been prepared as a continuation of the consolidated financial statements of SGAHL.

Summary financial information

	2020 A$m	2019 A$m
Statement of financial position:		
Current assets	**191.9**	162.4
Total assets	**2,431.2**	2,368.4
Current liabilities	**32.5**	33.3
Total liabilities	**68.8**	37.0
Shareholders' equity:		
Contributed equity	**4,055.1**	4,070.9
Reserves	**238.1**	223.7
Profits reserve	**146.7**	98.0
Accumulated deficit	**(2,077.5)**	(2,061.2)
Total equity	**2,362.4**	2,331.4
Statement of comprehensive income:		
Profit for the year	**99.3**	109.2
Total comprehensive income	**99.3**	109.2

Guarantees entered into by the parent entity

The Company has not provided financial guarantees for which a liability has been recognised in the Company's statement of financial position. The Company has given guarantees in respect of the performance of contracts entered into in the ordinary course of business. The amount of these guarantees provided by the Company as at 30 June 2020 was A$57.0 million (2019: A$74.7 million).

The Company has provided a guarantee for its proportional share of a lease obligation of a joint venture of the Group. The Company's proportional amount of the lease obligation remaining as at 30 June 2020 was A$15.3 million (2019: A$1.0 million).

25 – Parent entity information (continued)

Guarantees entered into by the parent entity (continued)
The Company is party to a number of financing facilities and a DCG under which it guarantees the debts of a number of its subsidiaries.

Lease commitments

	2019 A$m
Not later than one year	3.0
Later than one year, but not later than five years	12.2
Later than five years	35.6
Total lease commitments not recognised as liabilities	50.8

The Company has no commitments as of 30 June 2020 which are not recognised as liabilities.

OTHER DISCLOSURES

26 – Share-based payments

The Company's long-term incentive plan ("LTIP") is designed as a reward and retention tool for eligible employees. The maximum number of shares that can be outstanding at any time under the LTIP is limited to 5% of the Company's issued capital. Grants under the share ownership plans can be in the form of options or share rights. Certain share ownership plans also provide for cash-settlement, which are determined by the Board.

Historically, the Company issued share-based awards to US-based employees that were settled in American Depositary Shares ("ADSs"). However, beginning in November 2013, all new share-based awards are settled in ordinary shares. As of 30 June 2020, all outstanding ADSs have either been exercised, forfeited or expired.

Share-based payment expense

	2020 A$m	2019 A$m
Equity-settled share-based payments expense	**15.2**	20.0
Cash-settled share-based payments expense	**(0.1)**	(2.0)
	15.1	18.0

Equity-settled options

Equity-settled options outstanding	**Number of options 2020**	**Weighted average exercise price 2020**	**Number of options 2019**	**Weighted average exercise price 2019**
Ordinary shares:				
Balance at 1 July	**8,305,526**	**A$11.31**	6,527,020	A$10.98
Granted	**-**	**-**	2,058,195	A$12.32
Forfeited/expired	**(65,135)**	**A$9.84**	(120,163)	A$12.73
Exercised	**(192,507)**	**A$9.96**	(159,526)	A$9.84
Balance at 30 June	**8,047,884**	**A$11.35**	8,305,526	A$11.31
Exercisable at 30 June	**6,192,169**	**A$10.96**	4,339,458	A$10.48
ADSs:				
Balance at 1 July	**779,361**	**US$9.49**	1,924,861	US$11.78
Forfeited/expired	**(779,361)**	**US$9.49**	(1,137,660)	US$13.37
Exercised	**-**	**-**	(7,840)	US$9.49
Balance at 30 June	**-**	**-**	779,361	US$9.49
Exercisable at 30 June	**-**	**-**	779,361	US$9.49

For equity-settled options exercised during the year ended 30 June 2020, the weighted average share price at the date of exercise was A$11.84 for ordinary shares and nil for ADSs (2019: A$12.79 for ordinary shares and US$11.99 for ADSs).

26 – Share-based payments (continued)

Equity-settled options (continued)

Information about outstanding and exercisable equity-settled options as at 30 June 2020 is as follows:

	Outstanding			Exercisable		
Exercise price range	**Number of options**	**Weighted average exercise price**	**Weighted average remaining contractual life (years)**	**Number of options**	**Weighted average exercise price**	**Weighted average remaining contractual life (years)**
Ordinary shares:						
A$9.38–A$10.35	1,838,894	A$9.57	1.77	1,829,029	A$9.57	1.75
A$10.36–A$11.60	2,671,091	A$10.57	2.98	2,671,091	A$10.57	2.98
A$11.61–A$17.10	3,537,899	A$12.87	4.93	1,692,049	A$13.08	4.76
	8,047,884	**A$11.35**	**3.56**	**6,192,169**	**A$10.96**	**3.11**

Cash-settled options

Cash-settled options outstanding	**Number of options 2020**	**Weighted average exercise price 2020**	**Number of options 2019**	**Weighted average exercise price 2019**
Balance at 1 July	**422,591**	**A$10.30**	594,786	A$11.10
Forfeited/Expired	**(13,734)**	**A$9.29**	(172,195)	A$13.07
Exercised	**(96,072)**	**A$9.68**	-	-
Balance at 30 June	**312,785**	**A$10.54**	422,591	A$10.30
Exercisable at 30 June	**312,785**	**A$10.54**	422,591	A$10.30

Performance rights

Performance rights vest after a period of one to five years, subject to the performance hurdle being met. Performance hurdles are either based on Total Shareholder Return ("TSR"), Return on Invested Capital ("ROIC"), or strategic goals criteria. Details of the performance and service conditions are provided in the Remuneration Report.

Performance rights outstanding	**Number of shares 2020**	**Weighted average fair value at grant date 2020**	**Number of shares 2019**	**Weighted average fair value at grant date 2019**
Ordinary shares:				
Non-vested balance at 1 July	**4,319,889**	**A$9.18**	**3,883,375**	**A$8.21**
Granted	**1,229,966**	**A$10.06**	**1,884,870**	**A$7.95**
Forfeited/cancelled	**(658,860)**	**A$11.01**	**(92,917)**	**A$4.87**
Vested	**(818,685)**	**A$8.86**	**(1,355,439)**	**A$6.60**
Non-vested balance at 30 June	**4,072,310**	**A$9.22**	**4,319,889**	**A$9.18**

In the year ended 30 June 2020, 646,391 share rights (2019: 92,917) were forfeited as the performance conditions were not satisfied and 12,469 share rights (2019: nil) were forfeited due to employment terminations.

26 – Share-based payments (continued)

Performance rights (continued)

Restricted share units

Restricted share units granted to employees typically vest over a period of three to four years.

Restricted share units outstanding	**Number of shares 2020**	**Weighted average fair value at grant date 2020**	**Number of shares 2019**	**Weighted average fair value at grant date 2019**
Ordinary shares:				
Non-vested balance at 1 July	**1,214,209**	**A$9.91**	1,433,520	A$9.43
Granted	**883,178**	**A$9.54**	52,256	A$9.70
Forfeited/cancelled	**(2,324)**	**A$13.09**	(17,829)	A$12.09
Vested	**(638,626)**	**A$9.94**	(253,738)	A$7.02
Non-vested balance at 30 June	**1,456,437**	**A$9.77**	1,214,209	A$9.91

Fair value

The significant weighted assumptions used to determine the fair value were as follows:

	Options	**Performance rights**	
	2019	**2020**	2019
Risk-free interest rate	2.3%	**0.8%**	2.1%
Dividend yield	3.9%	**2.3%**	3.9%
Volatility	38.0%	**38.0%**	38.0%
Expected life (years)	4.4	**n/a**	n/a
Share price at grant date	A$12.89	**A$10.81**	A$12.89

Recognition and measurement

The grant date fair value is recognised as an employee benefit expense with a corresponding increase in equity over the vesting period. At the end of each reporting period, the Group revises its estimate of the number of shares that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

For cash-settled share-based arrangements, the fair value of the amount payable is recognised as an employee benefit expense with a corresponding increase to a liability. The liability is re-measured each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as an employee benefit expense in profit or loss.

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.

27 – Key management personnel

Total remuneration paid or payable to Directors and key management personnel ("KMP") is set out below:

	2020 A$	2019 A$
Short-term benefits	**8,428,455**	11,144,805
Long-term benefits	**89,699**	28,373
Post-employment benefits	**98,997**	120,899
Termination benefits	**1,540,475**	-
Share-based payments	**5,364,686**	5,522,754
	15,522,312	16,816,831

During FY20, a KMP received A$1,540,475 of benefits upon retirement at 30 June 2020 and acceleration of share-based payments. Refer to the Remuneration Report for further detail.

28 – Commitments and contingencies

Commitments

	2020 A$m	2019 A$m
Lease Commitments		
Not later than one year	**3.1**	97.9
Later than one year, but not later than five years	**0.9**	201.8
Later than five years	**-**	133.0
Total lease commitments not recognised as liabilities	**4.0**	432.7
Capital expenditures		
Payable within one year	**12.8**	23.4

The commitments included above also include the Group's share relating to joint ventures.

Guarantees
The Group has given guarantees in respect of the performance of contracts entered into in the ordinary course of business. The amounts of these guarantees provided by the Group, for which no amounts are recognised in the consolidated financial statements, as at 30 June 2020 was A$57.0 million (2019: A$74.8 million).

29 – Remuneration of auditors

	2020 A$'000	2019 A$'000
Deloitte Touche Tohmatsu Australia:		
Audit and review of financial statements	**1,775**	1,957
Taxation services	**6**	13
Other assurance related services	**150**	45
	1,931	2,015
Network firms of Deloitte Touche Tohmatsu Australia:		
Audit and review of financial statements	**1,796**	1,919
Taxation services	**109**	280
Other assurance related services	**362**	106
	2,267	2,305
Total remuneration for Deloitte Touche Tohmatsu	**4,198**	4,320

30 – New and revised accounting standards

New and amended accounting standards that are effective for the current year

Interpretation 23 Uncertainty over Income Tax Treatments
The Group has adopted Interpretation 23 for the first time in the current year. Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- Determine whether uncertain tax positions are assessed separately or as a group
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings
  - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

The implementation of this standard does not have a material impact on the Group and is reflected in the balance sheet at 30 June 2020.

AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions
In the current year, the Group has elected to apply AASB 2020-4 *Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions* before its mandatory application date. AASB 2020-4 amends AASB 16 Leases and is effective for annual periods that begin on or after 1 June 2020.

COVID-19 has led many lessors to provide relief to lessees by deferring or relieving them of amounts that would otherwise be payable. In some cases, this is through negotiation between the parties, but can also be as a consequence of a government encouraging or requiring that the relief be provided. AASB 16 requires lessees to assess whether changes to lease contracts are lease modifications as this term is defined in the Standard and, if so, the lessee must remeasure the lease liability using a revised discount rate.

The amendment is intended to provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19, by including an additional practical expedient in AASB 16 that permits entities to elect not to account for some or all of these rent concessions as modifications.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- there is no substantive change to other terms and conditions of the lease.

The Group has elected to apply the practical expedient in certain jurisdictions for COVID-19-related rental concessions it has obtained as lessee noting the impact to be immaterial.

AASB 16 Leases
In the current year, the Group has applied AASB 16 *Leases* that is effective for annual periods that begin on or after 1 January 2019. AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requires the recognition of a right of use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets, which the Group has adopted as recognition exemptions. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The date of initial application of AASB 16 for the Group is 1 July 2019. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

30 – New and revised accounting standards (continued)

AASB 16 Leases (continued)

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed, consistent with prior accounting policy.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate.

The Group has applied AASB 16 using the cumulative catch-up approach, which requires the Group to recognise the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

(a) Impact of the new definition of a lease
The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 will continue to be applied to those leases entered or changed before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in AASB 117.

The Group applies the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or changed on or after 1 July 2019, whether it is a lessor or a lessee in the lease contract. In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition in AASB 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

<u>(i) Former operating leases</u>
AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:
a) recognises right of use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments (inclusive of reasonably known extension or termination options), with the right of use asset adjusted by the amount of any prepaid or accrued lease payments;
b) recognises depreciation of right of use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest portion (presented within operating activities) in the consolidated statement of cash flows

Lease incentives are recognised as part of the measurement of the right of use assets and lease liabilities whereas previously they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under AASB 16, right of use assets are tested for impairment in accordance with AASB 136 *Impairment of Assets*.

30 – New and revised accounting standards (continued)

AASB 16 Leases (continued)
(b) Impact on Lessee Accounting (continued)
(i) Former operating leases (continued)

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'other expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying AASB 117:

- the Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- the Group has adjusted the right of use asset at the date of initial application by the amount of provision for onerous leases recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- the Group has elected not to recognise right of use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- the Group has excluded initial direct costs from the measurement of the right of use asset at the date of initial application.
- the Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases
For leases that were classified as finance leases applying AASB 117, the carrying amount of the leased assets and obligations under finance leases measured applying AASB 117 immediately before the date of initial application is reclassified to right of use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

(iii) Current year expedient
The Group has applied the practical expedient, AASB 2020-4, included in the amended AASB 16 which allows a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient applies when:

- the rent concessions occurred as a direct consequence of COVID-19;
- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the changes;
- any reduction in lease payments affected only payments originally due on or before 30 June 2021; and
- there are no substantive changes to other terms and conditions of the lease.

The practical expedient was applied on a jurisdictional basis for the Group. The impact of the practical expedient was immaterial and resulted in reduced lease payments during the half year ended 30 June 2020 with deferred payments resulting in increased lease payments during the fiscal year ended 30 June 2021 and beyond.

(c) Impact on Lessor Accounting
AASB 16 does not change substantially how a lessor accounts for leases. Under AASB 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, AASB 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

30 – New and revised accounting standards (continued)

AASB 16 Leases (continued)
(c) Impact on Lessor Accounting (continued)

Under AASB 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of use asset arising from the head lease. Because of this change, the Group has reclassified certain of its operating sublease agreements as finance leases and accounted for them as new finance leases entered into at the date of initial application. As required by AASB 9, an allowance for expected credit losses has been recognised on the finance lease receivables where material.

(d) Financial impact of initial application of AASB 16
The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 2.7%.

Operating lease commitments disclosed applying AASB 117 at 30 June 2019 was A$432.7 million. The variance between operating lease commitments at 30 June 2019 and the lease liability opening balance on 1 July 2019 is primarily related to leases with an expiration of less than 12 months amounting to A$97.9 million. The residual difference of A$6.5 million is related to a) discounting using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application, b) low value leases and c) adjustments as a result of different treatment of extension and termination options.

The balance sheet shows the following amounts related to leases as at 30 June:

	2020 A$m	2019 A$m
Right of use asset	**311.4**	-
Current investment in sub-lease (included in other financial assets)	**1.4**	
Non-current investment in sub-lease (included in other financial assets)	**39.9**	-
Total lease related assets	**352.7**	-
Current lease liabilities	**70.5**	-
Non-current lease liabilities	**293.0**	-
Total lease liabilities	**363.5**	-

The income statement shows the following amounts related to leases:

	2020 A$m	2019 A$m
Right of use asset depreciation	**67.1**	-
Interest expense (included in finance costs)	**6.8**	-

The impact of AASB 16 on the Group's consolidated income statement is set out below:

	2020 A$m	2019 A$m
Increase in earnings before interest, tax, depreciation and amortisation ("EBITDA")	**73.9**	-
Increase in earnings before interest and tax ("EBIT")	**6.8**	-
Impact on profit before income taxes	**-**	-

The statement of cash flows for 30 June 2020 includes cash outflows for lease payments of A$68.2 million within cash flows from financing activities and lease interest of A$6.8 million within cash flows from operating activities. The cash flows for the year ended 30 June 2019 have not been restated, with the cash flow associated with lease payments included in 'payments to suppliers and employees (inclusive of goods and services tax)' within cash flows from operating activities.

31 – Right of use assets (Group as a lessee)

	Real estate A$m	Plant & equipment A$m	Total A$m
At 30 June 2020			
Cost	**254.9**	**130.9**	**385.8**
Accumulated impairment	**(5.9)**	**-**	**(5.9)**
Accumulated depreciation	**(32.2)**	**(36.3)**	**(68.5)**
Net book amount	**216.8**	**94.6**	**311.4**
Movement			
Balance at 1 July	**217.8**	**70.2**	**288.0**
Additions	**43.6**	**61.0**	**104.6**
Impairment expense	**(6.2)**	**-**	**(6.2)**
Depreciation expense	**(32.3)**	**(34.8)**	**(67.1)**
Foreign exchange differences	**(6.1)**	**(1.8)**	**(7.9)**
Balance at 30 June	**216.8**	**94.6**	**311.4**

The income statement shows the following amounts related to leases:

	2020 A$m
Right of use asset depreciation	**67.1**
Interest expense (included in finance costs)	**6.8**
Expense related to leases of short term assets	**34.7**
Expense related to leases of low value assets	**1.7**

The Group has no variable lease payments that are not included in the lease liability or related to anything other than inflation.

Recognition and Measurement

Depreciation

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

32 – Lease liabilities

Analysed as:	2020 A$m
Current	**70.5**
Non-current	**293.0**
	363.5

32 – Lease liabilities (continued)

The contractual cash flows of the Group's lease liabilities are shown in the table below. The contractual amounts represent the future undiscounted cash flows.

Maturity analysis:	2020 A$m
Not later than one year	**78.4**
Later than one year, but not later than five years	**188.9**
Later than five years	**137.4**
	404.7
Less: unearned interest	**41.2**
	363.5

The Group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Group's treasury function. All lease obligations are denominated in currency units.

33 – Assets held for sale

Assets held for sale at 30 June 2020 include the assets of SLS Dubai's operations as well as other assets which the Group expects to sell within the next financial year.

During the year ended 30 June 2019, the Group sold assets with net book value totaling A$2.0 million which were classified as assets held for sale at 30 June 2018. The gain on sale of assets was not significant to the Group.

34 – Subsequent events

Subsequent to the date of this report, other than potential risk related to the ongoing global response to COVID-19, no matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may affect:

a) the Group's operations in future financial years;
b) the results of those operations in future financial years; or
c) the Group's state of affairs in future financial years.

In the directors' opinion:

a) The financial statements and notes set out on pages 51 to 103 are in accordance with the *Corporations Act 2001*, including:

   i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and

b) there are reasonable grounds to believe that Sims Limited will be able to pay its debts as and when they become due and payable, and

c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in note 23.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Group Chief Executive Officer and the Group Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

The declaration is made in accordance with a resolution of the directors.

G N Brunsdon
Chairperson

Sydney
18 August 2020

A Field
Managing Director and Group CEO

Sydney
18 August 2020

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of Sims Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sims Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying Value and Existence of Inventories At 30 June 2020, the Group's consolidated statement of financial position includes inventories of A$334.3 million, which primarily consists of ferrous and non-ferrous scrap metals, as disclosed in Note 9 'Inventories'. Inventories are stated at the lower of cost and net realisable value. Cost is determined by either the first-in-first-out method or the weighted average method and comprises direct purchase costs, direct labour and an appropriate portion of fixed and variable overhead costs. The nature of ferrous and non-ferrous inventories means significant judgement is required when determining the net realisable value which considers current assessments of future demand and market conditions. Significant judgement is also required to estimate the ferrous quantities on hand. As disclosed in Note 9, the quantity of inventory on hand is determined using various estimation techniques including observation, weighing and other industry methods.	Our procedures included, but were not limited to: • Evaluating the robustness of management's processes for determining valuation, net realisable value and existence of inventories, including testing controls on a sample basis; • Testing the existence of inventories by attending inventory counts conducted by management at material locations at or around year end and observing and challenging management's process to determine the quantities on hand; • Testing, on a sample basis, the existence of inventories in transit by obtaining third party confirmations; • Testing, on a sample basis, the specific inputs and allocation of costs in management's models used to determine the weighted average cost of inventories; • Testing, on a sample basis, the recoverability of ferrous and non-ferrous inventories through the recalculation of projected net realisable values based on current and forecast commodity prices; and • Assessing the appropriateness of disclosures in the financial statements.
Revenue Recognition of Ferrous Secondary Recycling For the financial year ended 30 June 2020, the Group's consolidated income statement includes revenue of A$4,917.5 million, of which A$3,286.2 million relates to ferrous secondary recycling, as disclosed in Note 3 'Revenue and other income'. Revenue recognition for the sale of goods is determined with reference to the terms of the contract, the product sold and the point at which control is considered to be transferred and performance obligations are satisfied.	Our procedures included, but were not limited to: • Evaluating management's processes and controls in respect of the recognition of revenue of ferrous secondary recycling; • Testing on a sample basis, the shipments occurring near to and after 30 June 2020 to supporting documentation. We assessed if revenue was appropriately recognised with reference to the following: o the shipping terms contracted for the transaction;

Individual ferrous secondary recycling bulk cargo sales are often individually material and as disclosed in Note 3, is the product which generates the majority of revenue for the Group. Significant judgement required to determine when control is transferred and performance obligations are satisfied under certain contractual arrangements, with specific focus on transactions occurring near the year end date. Whilst the majority of ferrous secondary recycling bulk cargo sales arrangements specify that control passes once all material has been loaded onto a vessel, for some ferrous secondary recycling bulk cargo sales, revenue recognition can vary depending on the shipping terms used.	o the resulting point in time that control is considered to be transferred and all performance obligations satisfied; and o evaluating whether the recognition of revenue was in accordance with Group policy and accounting standards • Assessing the appropriateness of disclosures in the financial statements.
Carrying Value of Goodwill, Other Intangible Assets and Property, Plant and Equipment As at 30 June 2020, the Group's consolidated statement of financial position includes A$59.3 million of goodwill, A$0.7 million of other intangible assets and A$1,192.8 million of property, plant and equipment. Majority of these asset balances are held within the Australia and New Zealand Metals, North America Metals and UK Metals cash generating units (CGUs). During the year ended 30 June 2020, the Group recognised impairment losses of A$30.6 million for goodwill, A$41.4 million for other intangible assets and A$48.3 million for property, plant and equipment. As disclosed in Note 11 'Intangible assets', the determination of the recoverable amount of the Group's goodwill, other intangible assets and property, plant and equipment balances involves the exercise of significant judgement. Cash flow projections incorporate management's estimates relating to the impact of inherent future volatility in volumes, commodity prices, margins and demand. These calculations require the application of key assumptions such as discount rates, growth rates and other assumptions, and include management's assessment of the potential ongoing economic impacts of the COVID-19 pandemic.	In conjunction with Deloitte valuation specialists, our procedures included, amongst others: • Understanding and evaluating management's process, including understanding the controls in respect of the preparation and review of forecasts; • Evaluating the discounted cash flow models developed by management to assess the recoverable value of the goodwill, other intangible assets and property, plant and equipment. This included critically assessing the following key assumptions: o discount rate in comparison to an independently calculated discount rate; o growth rate in comparison to external data; o forecast volumes and pricing, with reference to historical performance and external data; and o capital expenditure, with reference to historical spend and Board approved forecasts. • Testing, on a sample basis, the mathematical accuracy of the discounted cash flow models; • Agreeing forecast EBTIDA to the latest Board approved forecasts; • Assessing the accuracy of historical forecasts against the actual cash flow outcomes and considering the impact on the assumptions used in latest Board approved forecasts;

	• Performing sensitivity analyses on a number of assumptions, in particular discount rates and future cash flows, with consideration of potential ongoing economic impacts of the COVID-19 pandemic; and • Evaluating the adequacy of disclosures in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and the Operational and Financial Review, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): the Chairman's Review, CEO's Review, Corporate Governance Statement, Other Information and Shareholder Information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Chairman's Review, CEO's Review, Corporate Governance Statement, Other Information, and Shareholder Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats and safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 49 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Sims Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU

Don Pasquariello
Partner
Chartered Accountants
Sydney, 18 August 2020