Appendix 4D

Sims Limited
ABN 69 114 838 630
Half Year Report

Results for announcement to the market

Current period: Half year ended 31 December 2020
Prior corresponding period: Half year ended 31 December 2019

Results (A$m)				**Half year ended 31 December 2020**		**2019**
Sales Revenue	Down	9.5%	to	2,452.0	from	2,709.6
Net profit/(loss) for the period attributable to members[1]	Up	158.2%	to	53.0	from	(91.1)

[1] Half year ended 31 December 2019 comparative included A$27.6 million of goodwill and other intangible asset impairment charges.

Dividends (A¢)	**Cents per Security**	**% Franked per Security**
2020 Final Dividend	0.0	N/A
2021 Interim Dividend[1]	12.0	100%
Record date for interim dividend	8 March 2021	
Payment date for interim dividend	23 March 2021	

[1]The Board has determined that the dividend reinvestment plan will not operate in relation to this dividend.

Net tangible assets (A$)	**31 December 2020**	**31 December 2019**
Net tangible asset per security (excluding treasury shares held at the end of the period)	9.11	10.17

For further explanation of the above figures, please refer to the Directors' Report and the consolidated financial report, press release and market presentation 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 half year financial report has been reviewed by Deloitte Touche Tohmatsu. A signed copy of their review 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 half year ended 31 December 2020 ("HY21").

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.

DIRECTORS

The persons listed below were Directors of the Company during the half year and up to the date of this report:

Name	Title
Managing Director:	
Alistair Field	Group Chief Executive Officer and Managing Director
Non-Executive Directors:	
Geoffrey N Brunsdon	Chairperson and Independent Non-Executive Director
Thomas Gorman[1]	Independent Non-Executive Director
Hiroyuki Kato	Non-independent Non-Executive Director
Georgia Nelson	Independent Non-Executive Director
Deborah O'Toole	Independent Non-Executive Director
Heather Ridout[2]	Independent Non-Executive Director
James T Thompson	Independent Non-Executive Director

[1] Mr Gorman was elected as an Independent Non-Executive Director at the Company's annual general meeting on 10 November 2020.
[2] Ms Ridout was re-elected as an Independent Non-Executive Director at the Company's annual general meeting on 10 November 2020.

OPERATING AND FINANCIAL REVIEW

Disclosing Non-IFRS Financial Information (unaudited)

(A$m)	HY21	HY20	% Change
Sales revenue	2,452.0	2,709.6	-9.5
Statutory earnings before interest, tax, depreciation and amortisation ("EBITDA")	177.1	30.5	480.7
Underlying EBITDA	155.0	74.9	106.9
Depreciation expense[1]	(98.5)	(95.7)	-2.9
Amortisation expense	(0.1)	(2.4)	95.8
Statutory earnings/(loss) before interest and tax ("EBIT")	78.5	(95.2)	182.5
Underlying EBIT	56.4	(23.2)	343.1
Net interest expense[2]	(5.3)	(7.5)	29.3
Underlying income tax expense	(13.8)	(4.0)	-245.0
Statutory net profit/(loss) after tax ("NPAT")	53.0	(91.1)	158.2
Underlying NPAT	37.3	(34.7)	207.5
Statutory diluted earnings per share ("EPS") (cents)	26.3	(44.9)	158.6
Underlying diluted EPS (cents)	18.5	(17.1)	208.2
Interim dividend (cents)	12.0	6.0	100.0
Net assets	1,925.0	2,166.7	-11.2
Net cash	165.4	151.2	9.4
Total capital[3]	1,759.6	2,015.5	-12.7
Underlying return on capital (%)[4]	4.6	(1.7)	370.6
Non-current assets excluding lease-related assets	1,756.0	1,947.6	-9.8
Return on productive assets (%)[5]	6.2	(2.4)	358.3
Net tangible assets	1,832.4	2,058.7	-11.0
Net tangible assets per share	9.11	10.17	-10.4
Net cash inflow/(outflow) from operating activities	149.3	(34.1)	537.8
Capital expenditures	63.7	80.0	-20.4
Free cash flow after capital expenditures[6]	85.6	(114.1)	175.0
Employees	3,862	4,519	-14.5
Sales tonnes ('000)	4,310	4,474	-3.7

[1] HY21 depreciation includes A$37.7 million of expense related to right of use assets (half year ended 31 December 2019 ("HY20"): A$31.2 million).
[2] HY21 net interest expense includes A$3.7 million of expense related to right of use assets (HY20: A$2.3 million).
[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 = annualised 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 year comparable 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			Closing rate – as at		
	HY21	HY20	% Change	31 December 2020	30 June 2020	% Change
US dollar	0.7235	0.6846	5.7	0.7695	0.6903	11.5
Euro	0.6125	0.6170	-0.7	0.6299	0.6145	2.5
Pounds sterling	0.5536	0.5436	1.8	0.5627	0.5566	1.1

Summary

Sales revenue of A$2,452.0 million in HY21 was down 9.5% compared to sales revenue of A$2,709.6 million in HY20. At constant currency, sales revenue was down 6.0% to A$2,546.8 million. The decline was due to lower sales volumes and the composition of sales where the proportion of ferrous secondary recycling revenue during HY21 was higher than non-ferrous secondary recycling revenues, which sell at a higher average price compared to ferrous materials. HY20 sales revenue was further reduced by the sale of European compliance scheme operations as at 30 September 2020 ("HY20 sold operations"), which contributed A$104.6 million of revenue to the Group during HY20.

Sales volumes were 4.310 million tonnes in HY21 versus 4.474 million tonnes in HY20. During HY21, sales volumes were compressed by lower scrap availability due to COVID-19 impacts. Partially offsetting lower sales volumes were higher prices, particularly during November and December 2020 when market prices improved. Shrunk intake volumes excluding brokerage tonnes ("proprietary intake volumes") increased from 3.176 million tonnes during the half year ended 30 June 2020 ("H2 FY20") to 3.458 million tonnes during HY21. See further discussion below under *External Operating Environment* and *Operating Segment Results*.

Statutory EBIT in HY21 was A$78.5 million compared to a loss of A$95.2 million in HY20. At constant currency, statutory EBIT during HY21 was A$81.3 million. HY21 Underlying EBIT of A$56.4 million was A$79.6 million higher than HY20. Strong earnings growth across all operating segments was due in part to lower operating costs, which are on track to achieve annualised cost savings in excess of A$70 million during the full year ended 30 June 2021 ("FY21") compared to the year ended 30 June 2019 ("FY19"). The share of results from the Group's investment in SA Recycling ("SAR") increased A$24.4 million during HY21 compared to HY20.

Statutory NPAT in HY21 was A$53.0 million. Underlying NPAT was A$37.3 million in HY21 compared to a loss of A$34.7 million in HY20. Underlying income tax expense of A$13.8 million during HY21 was A$9.8 million higher than HY20 due primarily to higher profit before tax, and resulted in an underlying effective tax rate of 27.0% during HY21. Net interest expense of A$5.3 million was A$2.2 million lower than HY20 due in part to interest income from the loan to a related party of SAR. Statutory EBITDA in HY21 was A$177.1 million compared to A$30.5 million in HY20. See the *Reconciliation of Statutory Results to Underlying Results* included herein for more information.

Statutory diluted EPS was 26.3 cents in HY21 compared to a loss of 44.9 cents in HY20. Underlying diluted EPS was 18.5 cents in HY21 compared to a loss of 17.1 cents in HY20. The weighted average number of basic shares during HY21 decreased 1.682 million shares compared to HY20 as shares bought back during H2 FY20 exceeded the number of shares issued under long-term incentive plans ("LTIP"). The Company also leveraged its employee share ownership programme trust to reduce the dilution effect of certain shares issued under the LTIP.

External Operating Environment

The recycled ferrous market recovered throughout HY21 with increased steel demand in many industrial sectors. During December 2020, the Turkey heavy melting steel ("HMS") price increased US$120 per tonne and ended the period around US$480 per tonne[1]. Despite higher prices and improved economic activity in HY21, proprietary intake volumes remained at 85% of average FY19 monthly volumes due to COVID-19 impacts but increased 9% compared to H2 FY20.

[1] Source: Platts

Zorba prices increased through the second half of calendar 2020 and ended the period just over US$1,400 per tonne[1]. The upward price movement was due to increased demand from the global automotive industry and the ability to freely import zorba/twitch into China.

Since 1 November 2020 recycled non-ferrous that meets quality standards can be freely imported into China without quotas. China also announced that from 1 January 2021, recycled ferrous that meets quality standards can be freely imported without quotas. The relaxing of quotas into China, combined with Sims' diversified channels to other markets, puts the group in a strong position to continue to deliver its growth strategy and grow its non-ferrous and ferrous businesses.

Significantly improved earnings in North America due to lower operating costs and improved margins
The US economy expanded by an annualised 33.4% in the September 2020 quarter, following a record 31.4% plunge in the June quarter, as the economy rebounded due to increases in personal consumption and non-residential fixed investment[2]. However, GDP remained 3.5% below its pre-pandemic levels. HY21 proprietary intake volumes in North America declined 10.1% compared to the prior corresponding period and were at 84% of average monthly FY19 proprietary intake volumes driven by slower economic activity largely due to COVID-19 impacts. Improved margins and lower operating costs delivered earnings improvement in the HY21 result, despite lower volumes across both ferrous and non-ferrous.

Stable domestic demand in Australia for ferrous scrap partially offset weaker exports
Australia's September 2020 quarter GDP increased 3.3%, as COVID-19 related impacts eased across most states and household spending surged. However, GDP declined 3.8% compared to September 2019 due to the coronavirus pandemic[3]. Despite this, steel production in Australia increased 0.5% in HY21 over the prior corresponding period, 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 17% for HY21 compared to HY20[3].

Lower operating costs and higher volumes and margins delivered significant earnings improvement in the UK
The UK economy grew 1.0% in the December 2020 quarter compared to the previous quarter due to an easing of public health restrictions[4]. Intake volumes grew 6.4% in HY21 compared to the prior corresponding period, but were at 86% of average monthly FY19 proprietary intake volumes due to reduced activity from COVID-19 impacts. Improved margins and lower operating costs delivered earnings improvement in the HY21 result. Brexit is not expected to have a significant impact on the UK Metal business.

Commercial interest for Sims Lifecycle Services remains robust
The results of Sims Lifecycle Services were impacted by the sale of the European compliance scheme operations as at 30 September 2019. In August 2020, the Company noted that risks to cloud material volume growth included continued logistics disruptions and customer personnel availability, due to COVID-19. This risk continued to manifest and cloud material volumes decreased in 1H FY21 compared to the prior corresponding period. However, commercial discussions, activity and interest remains robust.

Operating Segment Results

North America Metal ("NAM")

A$m	HY21	HY20	Variance %
Sales revenue	1,067.0	1,133.0	-5.8
Underlying EBITDA	70.5	43.4	62.4
Underlying EBIT	24.6	0.1	NMF[5]
Sales tonnes (millions)	2.186	2.336	-6.4
Underlying EBIT margin	2.3%	0.0%	

1 Source: Platts
2 Source: Bureau of Economic Analysis
3 Source: Australian Bureau of Statistics
4 Source: Office for National Statistics
5 No meaningful figure

NAM sales revenue was A$1,067.0 million during HY21. At constant currency, sales revenue was down 0.5% to A$1,127.6 million compared to HY20. The decrease was primarily due to a 5.5% decline in sales volumes excluding brokerage tonnes ("proprietary sales volumes") over the prior corresponding period driven by slower economic activity, largely due to COVID-19 impacts in areas the business operates within. At constant currency, average ferrous trading and non-ferrous trading selling price increased 8.9% and 10.7%, respectively. The selling price increases partially offset the decline in proprietary sales volumes across both ferrous and non-ferrous.

Underlying EBIT of A$24.6 million in HY21 was A$24.5 million higher than HY20. The increase was due to cost reduction initiatives and improved margins for recycled ferrous and zorba-related products. At constant currency, controllable costs were 14.9% lower in HY21 compared to the prior corresponding period. This was largely due to lower employee benefit expense, which declined 22.0% at constant currency from HY21 to HY20 driven by a 22.8% reduction in employee headcount.

Investment in SAR

The Group's share of results from SAR were A$24.4 million in HY21 compared to nil during HY20. The results from SAR were due to higher sales volumes during HY21 compared to HY20 and expanded ferrous, non-ferrous and zorba margins. Total SAR sales volumes increased 16.1% over prior corresponding period due to improved economic activity, pricing environment and incremental volume from bolt-on acquisitions.

Australia & New Zealand Metal ("ANZ Metal")

A$m	HY21	HY20	Variance %
Sales revenue	478.3	503.5	-5.0
Underlying EBITDA	54.3	47.8	13.6
Underlying EBIT	27.6	22.3	23.8
Sales tonnes (millions)	0.850	0.840	1.2
Underlying EBIT margin	5.8%	4.4%	

Sales revenue for ANZ Metal of A$478.3 million in HY21 was 5.0% lower compared to HY20. The decline was attributed to the composition of sales, as the proportion of ferrous secondary recycling revenue was higher than non-ferrous secondary recycling revenue. HY21 proprietary intake was 86% of average monthly FY19 proprietary intake volumes and declined over the prior full year. Intake flows steadily improved as the period progressed, despite persistent high competition for material. HY21 proprietary sales volumes were consistent with HY20 sales volumes due to continued strong demand from domestic mills.

Underlying EBIT of A$27.6 million in HY21 was 23.8% higher compared to HY20 due to the higher non-ferrous margins and cost reductions in both fixed and variable terms. A 5.0% reduction in employee headcount contributed to an 8.8% reduction in HY21 controllable costs compared to HY20. HY21 underlying EBIT excluded A$11.8 million of grant income attributed to the JobKeeper scheme in Australia.

UK Metal

A$m	HY21	HY20	Variance %
Sales revenue	428.0	487.6	-12.2
Underlying EBITDA	22.6	(13.5)	267.4
Underlying EBIT	10.5	(28.4)	137.0
Sales tonnes (millions)	0.707	0.663	6.6
Underlying EBIT margin	2.5%	(5.8)%	

Sales revenue for UK Metal was A$428.0 million during HY21. At constant currency, sales revenue was A$435.9 million, 10.6% lower compared to HY20. The decline was attributed to an increase in ferrous secondary recycling sales as a proportion of revenue. At constant currency, the HY21 average selling price of ferrous trading materials increased 1.2%, and non-ferrous increased 6.1%, compared to prior corresponding period. Sales volume increased 6.6% compared to prior corresponding period, despite continued challenges from COVID-19.

Underlying EBIT was A$10.5 million in HY21 compared to an underlying EBIT loss of A$28.4 million in HY20. At constant currency, underlying EBIT was A$42.1 million high than HY20. The earnings improvement was due to higher sales volumes, margin improvement and lower operating costs. Margin improvement was driven by active margin management, higher prices and less aggressive competition. The business restructure that commenced in HY20 predominantly contributed to a 20.2% decline of HY21 controllable costs compared to the prior corresponding period. Employee headcount reduced 21.2% during the same period.

Sims Lifecycle Services ("SLS")

A$m	HY21	HY20	Variance %
Sales revenue	152.3	247.9	-38.6
Underlying EBITDA	12.4	21.1	-41.2
Underlying EBIT	6.8	14.8	-54.1
Underlying EBIT margin	4.5%	6.0%	

Sales revenue for SLS was A$152.3 million in HY21 and A$158.7 million at constant currency, compared to A$247.9 million in HY20. The decline was primarily a result of the HY20 sold operations. Normalising HY20 to exclude for the three months of HY20 sold operations, HY21 sales revenue was higher by 10.9% at constant currency.

Underlying EBIT was A$6.8 million during HY21 compared to A$0.8 million in HY20 excluding profits from the HY20 sold operations. Focus on re-using more parts and extracting more value benefited margin and helped offset the continued impact of logistics and customer personnel availability, due to COVID-19, on cloud material volumes. HY21 controllable costs were 15.6% lower than HY20 at constant currency, excluding HY20 costs relating to HY20 sold operations.

Global Trading and Unallocated

Global Trading underlying EBIT loss of A$7.9 million increased from a loss of A$7.0 million in the prior corresponding period. This was a consequence of reduced export volumes brokered on behalf of SAR during the period, which resulted in a 10.7% decline in volumes period over period. Global Trading operating costs increased A$0.5 million compared to A$12.9 million during HY20 due in part to higher employee benefits expense.

Sims Municipal Recycling underlying EBIT was a loss of A$2.6 million in HY21 compared to a positive underlying EBIT of A$1.0 million in HY20. The decrease was driven by higher overtime and labour costs due to COVID-19 staffing shortages and increased residue rates and disposal costs.

On a constant currency basis, corporate costs within the unallocated segment were A$31.1 million. This amount was A$0.2 million lower than the prior corresponding period.

The Group's 50% investment in the LMS Energy Pty Ltd joint venture ("LMS") contributed A$4.9 million of equity accounted profits during HY21, down A$1.5 million over the prior corresponding period due to lower wholesale electricity and renewable prices.

Reconciliation of Statutory NPAT to EBITDA

A$m	HY21	HY20
Statutory net profit/(loss) after tax	**53.0**	(91.1)
Impairment of goodwill and other intangible assets	**-**	27.6
Depreciation and amortisation, net of right of use asset depreciation	**60.9**	66.9
Right of use asset depreciation	**37.7**	31.2
Interest expense from external borrowings, net	**1.6**	5.2
Lease liability interest expense	**3.7**	2.3
Income tax expense/(benefit)	**20.2**	(11.6)
Statutory EBITDA	**177.1**	30.5

Reconciliation of Statutory Results to Underlying Results (Non-IFRS Information – Unaudited)

	EBITDA[1]		EBIT		NPAT	
	HY21	**HY20**	**HY21**	**HY20**	**HY21**	**HY20**
A$m						
Reported earnings	**177.1**	30.5	**78.5**	(95.2)	**53.0**	(91.1)
Significant items:						
Legacy brand write offs	**N/A[2]**	N/A[2]	**-**	14.6	**-**	11.0
Other intangible asset impairments	**N/A[2]**	N/A[2]	**-**	13.0	**-**	9.4
JobKeeper grant income	**(11.8)**	-	**(11.8)**	-	**(8.3)**	-
Non-recurring gain on asset disposition	**(6.6)**	-	**(6.6)**	-	**(4.7)**	-
Restructuring and redundancies	**0.9**	33.6	**0.9**	33.6	**0.6**	26.9
Loss on sale of assets, net of related transactional expenses	**0.5**	3.2	**0.5**	3.2	**0.5**	2.9
Environmental provisions	**1.1**	11.0	**1.1**	11.0	**0.9**	8.2
Non-qualified hedges	**(5.0)**	1.9	**(5.0)**	1.9	**(3.8)**	1.9
Impact of fires, net of insurance recoveries to date	**(1.2)**	(5.3)	**(1.2)**	(5.3)	**(0.9)**	(3.9)
Underlying earnings[3]	**155.0**	**74.9**	**56.4**	**(23.2)**	**37.3**	**(34.7)**

[1] EBITDA is a measurement of non-conforming financial information. See table above 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 earnings.
[3] Underlying earnings 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 and 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 unaudited interim financial statements.

Cash flow and borrowings

Cash inflow from operating activities was A$149.3 million in HY21 compared to a cash outflow of A$34.1 million during HY20. The increase from HY20 was largely driven by an A$80.1 million improvement in underlying EBITDA. Working capital movements contributed A$20.9 million to operating cash flow due to increased payables from rising prices partially offset by higher inventory valuation compared to 30 June 2020. Higher average inventory cost per tonne due to rising prices was partially offset by a 32.4% decline of aggregate ferrous and non-ferrous inventory compared to 30 June 2020. The Group received A$9.7 million of grant proceeds relating to the JobKeeper scheme in Australia during HY21. The receipt of prior year tax refunds contributed to an A$26.4 million improvement of net income taxes paid.

Capital expenditures for property, plant and equipment and intangible assets were A$63.7 million during HY21 compared to A$80.0 million in HY20. Capital expenditures during HY21 were attributed to growth capital expenditures initiatives, including the global enterprise resource planning ("ERP") system and spend on the development of the first Resource Renewal facility in Australia, as well as sustaining capital expenditures. HY20 cash position was also impacted by an A$38.6 million cash outflow for the final 2019 dividend. No dividends were paid during HY21; however, an interim dividend of 12.0 cents per share, fully franked, has been declared as described in the *Dividends* section below.

At 31 December 2020, the Group had a net cash position of A$165.4 million compared to a net cash position of A$110.4 million at 30 June 2020. The Group calculates net cash as cash balances less total financial borrowings and reflects total financial borrowings as if financial borrowings were reduced by cash balances as a pro forma measurement as follows:

A$m	**As at 31 December 2020**	**As at 30 June 2020**
Total cash	**309.4**	227.3
Less: total financial borrowings	**(144.0)**	(116.9)
Net cash	**165.4**	110.4

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 allowed high quality non-ferrous scrap and ferrous scrap to be freely imported from 1 November 2020 and 1 January 2021 respectively, validating the strategic push to improve metal quality.

Good progress was made across strategic growth areas:

- Submitted the development application for pilot resource renewal facility in Rocklea Queensland;
- The commercial demonstration confirmed Sims' auto shredder residue ("ASR") produces a high quality syngas, confirmed chemical composition of syngas and collected data for environmental and planning assessment processes;
- On 12 February 2021 acquired a leading aluminium processor, which forecasts to grow North America Metal non-ferrous retail volumes 24%, and with strong cultural fit; and
- On 3 February 2021 acquired existing purpose-built recycling facility in Sydney's rapidly growing Southwest market.

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$165.4 million as at 31 December 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.

Capital expenditure during the six months ending 30 June 2021 is estimated to be approximately A$140 million, of which A$80 million is growth capex including the Alumisource acquisition. Other growth capex is anticipated to focus on the ERP programme, growing ferrous and non-ferrous volumes and the 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.

[1] Defined as financial debt / (financial debt + equity).
[2] Currently equivalent to approximately A$206.9 million.

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Market Conditions and Outlook

Signs of positive ferrous intake volume growth continued as January 2021 proprietary ferrous intake was higher than the corresponding periods in 2019 and 2020. Ferrous liquidity and price volatility risks are likely to persist in H2 FY21 but, over the medium term, prices should remain resilient due to infrastructure stimulus.

Global auto production is expected to normalise and support zorba-related prices.

China has commenced the importing of high quality recycled ferrous. Volumes are starting to increase from a low base and may tighten demand / supply.

Retail non-ferrous proprietary intake volumes remain inconsistent. January 2021 proprietary retail non-ferrous intake was lower than January 2020 but similar to January 2019.

The Company is on track to achieve annualised cost savings in excess of $70 million in FY21 compared to FY19.

ENVIRONMENTAL REGULATION

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 licenses and consents in place at various operating sites as prescribed by relevant environmental laws and regulations in respective jurisdictions. Conditions associated with these licenses and consents include those which stipulate environmental monitoring requirements and reporting limits to monitor conformance with the requirements of such licenses and consents.

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*. Further information on the Company's environmental performance is set out in the Group's Annual Sustainability Report. On 2 November 2020, the Group lodged its 2020 Sustainability report on the ASX. A copy of the report can be viewed at https://www.simsltd.com/investors/reports. An announcement of the Group's sustainability goals was lodged with the ASX on 11 November 2020.

Additionally, the Group's Australian operations are subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007* ("NGER"). The NGER Act 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.

In the last 12 months, there were no material breaches of environmental statutory requirements.

CHANGE RAMIFICATIONS

The Company recognises that climate change could have meaningful impacts on the financial performance of the Group over time and has begun the process of identifying key risks and, where possible, commenced action to mitigate their impact. The increased frequency and severity of climate change-related natural disasters could affect not only our operations but also our value chain.

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).

These risks are currently not expected to have a material impact on the Company's financial performance. However, effective from July 2019, all capex approvals over a threshold value require consideration of the impact of climate change as standard practice.

DIVIDENDS

Since the end of the half year, the Directors have declared an interim dividend of 12.0 cents per share (100% franked) for the half year ended 31 December 2020. The dividend will be payable on 23 March 2021 to shareholders on the Company's register at the record date of 8 March 2021. The Directors have determined that the dividend reinvestment plan will not operate in relation to this dividend.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11 and forms part of the Directors' Report for the half year ended 31 December 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 OFF OF AMOUNTS

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, 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
16 February 2021

A Field
Managing Director and Group CEO
Sydney
16 February 2021

Deloitte.

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16 February 2021

The Board of Directors
Sims Limited
Level 9, 189 O'Riordan Street
Mascot NSW 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 review of the consolidated financial statements of Sims Limited for the half-year ended 31 December 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 review; and

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

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Don Pasquariello
Don Pasquariello
Partner
Chartered Accountants

Sims Limited
Consolidated Income Statement
For the half year ended 31 December 2020

	Note	Half year ended 31 December 2020 A$m	2019 A$m
Revenue	2	**2,457.3**	2,714.0
Other income	4	**36.9**	20.5
Raw materials used and changes in inventories		**(1,592.4)**	(1,809.2)
Freight expense		**(223.1)**	(247.0)
Employee benefits expense		**(271.6)**	(322.6)
Depreciation and amortisation expense	4	**(98.6)**	(98.1)
Repairs and maintenance expense		**(37.1)**	(47.2)
Other expenses		**(222.3)**	(283.9)
Impairment of goodwill and other intangibles		**-**	(27.6)
Finance costs		**(6.9)**	(8.0)
Share of results of joint ventures		**31.0**	6.4
Profit/(loss) before income tax		**73.2**	(102.7)
Income tax (expense)/benefit	5	**(20.2)**	11.6
Profit/(loss) for the half year		**53.0**	(91.1)

	Note	A¢	A¢
Earnings/(loss) per share			
Basic	6	**26.4**	(44.9)
Diluted	6	**26.3**	(44.9)

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

Sims Limited
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2020

	Note	Half year ended 31 December 2020 A$m	Half year ended 31 December 2019 A$m
Profit/(loss) for the half year		**53.0**	(91.1)
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges, net of tax		**-**	0.4
Changes in the fair value of cash flow hedges of an equity method investment, net of tax		**(0.1)**	-
Foreign currency translation differences arising during the period, net of tax		**(110.2)**	10.0
Gain reclassified to profit or loss on disposal of foreign operations, net of tax		**(0.1)**	-
Items that will not be reclassified to profit or loss			
Re-measurements of defined benefit plans, net of tax		**(2.9)**	(0.4)
Other comprehensive (loss)/income for the half year, net of tax		**(113.3)**	10.0
Total comprehensive (loss) for the half year		**(60.3)**	(81.1)

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

Sims Limited
Consolidated Statement of Financial Position
As at 31 December 2020

	Note	31 December 2020 A$m	30 June 2020 A$m
Current assets			
Cash and cash equivalents		**309.4**	227.3
Trade and other receivables		**398.1**	392.3
Inventory		**340.3**	334.3
Other financial assets		**22.8**	20.5
Assets classified as held for sale		**0.3**	0.4
Total current assets		**1,070.9**	974.8
Non-current assets			
Investments in joint ventures		**320.1**	322.8
Other financial assets		**101.5**	115.1
Right of use assets		**286.1**	311.4
Property, plant and equipment		**1,076.3**	1,192.8
Retirement benefit assets		**5.0**	7.3
Deferred tax assets	5	**195.6**	221.9
Other intangible assets		**92.6**	60.0
Total non-current assets		**2,077.2**	2,231.3
Total assets		**3,148.1**	3,206.1
Current liabilities			
Trade and other payables		**410.3**	369.3
Borrowings		**26.7**	-
Lease liabilities		**67.4**	70.5
Other financial liabilities		**13.7**	12.1
Current tax liabilities		**6.2**	4.6
Provisions		**73.8**	79.1
Total current liabilities		**598.1**	535.6
Non-current liabilities			
Payables		**12.0**	13.1
Borrowings		**117.3**	116.9
Lease liabilities		**266.4**	293.0
Deferred tax liabilities	5	**166.5**	199.5
Provisions		**57.6**	59.4
Other financial liabilities		**-**	1.8
Retirement benefit obligations		**5.2**	4.5
Total non-current liabilities		**625.0**	688.2
Total liabilities		**1,223.1**	1,223.8
Net assets		**1,925.0**	1,982.3
Equity			
Contributed equity	7	**2,734.2**	2,734.4
Reserves	7	**166.8**	266.9
Accumulated deficit		**(976.0)**	(1,019.0)
Total equity		**1,925.0**	1,982.3

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

Sims Limited
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2020

	Note	Contributed equity A$m	Reserves A$m	Accumulated deficit A$m	Total equity A$m
Balance at 1 July 2019		2,750.2	236.3	(687.8)	2,298.7
Loss for the half year		-	-	(91.1)	(91.1)
Other comprehensive income/(loss)		-	10.4	(0.4)	10.0
Total comprehensive loss for the half year		-	10.4	(91.5)	(81.1)
Transactions with owners in their capacity as owners:					
Purchase of shares by trusts	7	(1.3)	-	(16.2)	(17.5)
Dividends paid	3	-	-	(38.6)	(38.6)
Share options exercised	7	2.4	-	-	2.4
Share-based payments expense, net of tax		-	7.7	-	7.7
Buy-back of ordinary shares		(4.9)	-	-	(4.9)
		(3.8)	7.7	(54.8)	(50.9)
Balance at 31 December 2019		2,746.4	254.4	(834.1)	2,166.7
Balance at 1 July 2020		**2,734.4**	**266.9**	**(1,019.0)**	**1,982.3**
Profit for the half year		**-**	**-**	**53.0**	**53.0**
Other comprehensive loss		**-**	**(110.4)**	**(2.9)**	**(113.3)**
Total comprehensive loss for the half year		**-**	**(110.4)**	**50.1**	**(60.3)**
Transactions with owners in their capacity as owners:					
Purchase of shares by trusts	7	**(0.2)**	**-**	**(7.1)**	**(7.3)**
Share-based payments expense, net of tax		**-**	**10.3**	**-**	**10.3**
		(0.2)	**10.3**	**(7.1)**	**3.0**
Balance at 31 December 2020		**2,734.2**	**166.8**	**(976.0)**	**1,925.0**

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

Sims Limited
Consolidated Statement of Cash Flows
For the half year ended 31 December 2020

	Note	Half year ended 31 December 2020 A$m	2019 A$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**2,389.3**	2,577.7
Payments to suppliers and employees (inclusive of goods and services tax)		**(2,267.3)**	(2,604.7)
		122.0	(27.0)
Interest received		**1.6**	0.5
Interest paid		**(6.3)**	(7.0)
Dividends received from joint ventures		**8.4**	4.3
Grant income received		**9.9**	-
Insurance recoveries		**2.3**	10.1
Income taxes received		**25.4**	2.0
Income taxes paid		**(14.0)**	(17.0)
Net cash inflows/(outflows) from operating activities		**149.3**	(34.1)
Cash flows from investing activities			
Payments for property, plant and equipment		**(44.4)**	(78.0)
Payment for intangible assets		**(19.3)**	(2.0)
Payments for other financial assets		**(0.4)**	(0.3)
Proceeds from grants for property, plant and equipment		**-**	1.8
Proceeds from sale of property, plant and equipment		**8.3**	1.2
Proceeds from sale of other financial assets		**0.9**	0.5
Net cash outflows from investing activities		**(54.9)**	(76.8)
Cash flows from financing activities			
Proceeds from borrowings		**403.9**	715.6
Repayment of borrowings		**(363.5)**	(681.2)
Repayment of leases		**(37.4)**	(31.1)
Proceeds from issue of shares		**-**	1.7
Payments for shares under employee share plan	7	**(7.3)**	(17.5)
Payments for shares bought back	7	**-**	(4.9)
Dividends paid	3	**-**	(38.6)
Net cash outflows from financing activities		**(4.3)**	(56.0)
Net increase/(decrease) in cash and cash equivalents		**90.1**	(166.9)
Cash and cash equivalents at the beginning of the half year		**227.3**	382.9
Effects of exchange rate changes on cash and cash equivalents		**(8.0)**	6.9
Cash and cash equivalents at the end of the half year		**309.4**	222.9

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

Note 1 – Summary of significant accounting policies

Sims Limited (the "Company") is a for-profit company incorporated and domiciled in Australia. The consolidated financial statements for the half year ended 31 December 2020 ("HY21") comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures.

Basis of preparation

This interim financial report:

- has been prepared in accordance with Australian Accounting Standards Board ("AASB") 134, *Interim Financial Reporting* and the *Corporations Act 2001*;
- does not include all notes of the type normally included within the annual financial report. As a result, it should be read in conjunction with annual financial report of the Group for the year ended 30 June 2020 ("FY20 Annual Report"), together with any announcements made by the Group during the half year ended 31 December 2020;
- has been prepared on the basis of historical cost, except for certain financial assets and liabilities which have been measured at fair value;
- 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;
- There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the half year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior period or will affect current or future periods.

COVID disclosure

Consistent with the FY20 Annual Report, this financial report has been prepared on a going concern basis of accounting with no material uncertainties as to the Group's ability to continue to operate.

During HY21, COVID-19 continued to affect geographies in which the Group operates. Certain areas saw varying case levels and were subject to differing 'lockdown' procedures. However, inflow of proprietary volumes continued to improve throughout HY21 and ferrous and non-ferrous prices rose significantly during the latter part of HY21. Refer to the *External Operating Environment* within the *Operating and Financial Review* for further information.

In response to the COVID-19 pandemic, governments in multiple jurisdictions in which the Group operates implemented legislation to assist entities that experienced financial impacts stemming from the pandemic, including direct grant payments, payroll support, payroll tax credits and tenant reliefs. Based on eligibility criteria set out in JobKeeper payment scheme legislation, subsidiaries within the Australia/New Zealand Metal ("ANZ") segment met the decline in turnover requirements and received total cash grants of A$14.0 million during six months ending 30 June 2020 and during HY21. The Company has disclosed income relating to the JobKeeper scheme as government grant income. Certain subsidiaries within the United Kingdom received direct support from the UK government to pay wages for furloughed staff up to certain eligibility limits. The Company has recognised the reimbursement of employment costs as a deduction of related employee benefits expense.

Global ERP software

During HY21, the Group continued to progress its global ERP implementation. The Group incurred capital expenditure of A$19.3 million (HY20: A$2.0 million) relating to the global ERP during the six month period. Software is measured at cost less accumulated amortisation and impairment losses and is recognised as an intangible asset. During HY21, A$12.9 million of incurred software capital expenditure previously recognised as capital work in progress within property, plant and equipment was reclassified to other intangible assets.

Note 2 – Segment information

(a) 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 Metal ("NAM"), ANZ, UK Metal ("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.

Details of the segments are as follows:

- **NAM** – comprising subsidiaries and joint ventures in the United States of America and Canada which perform ferrous and non-ferrous secondary recycling functions.
- **ANZ** – comprising subsidiaries in Australia, New Zealand and Papua New Guinea which perform ferrous and non-ferrous secondary recycling functions.
- **UK** – comprising subsidiaries in the United Kingdom which 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 HY21, a subsidiary in Dubai was sold.
- **Unallocated** – comprising unallocated corporate costs, interests in a joint venture in Australia, Sims Municipal Recycling ("SMR") and Global Sustainability Insurance Corporation, a captive insurance company formed during HY21.

The Group also reports revenues by the following product groups:

- **Ferrous secondary recycling** – comprising the collection, processing and trading of iron and steel secondary raw material.
- **Non-ferrous secondary recycling** – comprising the collection, processing and trading of other metal alloys and residues, principally aluminium, lead, copper, zinc and nickel bearing materials.
- **Recycling services** – comprises the provision of environmental and data security responsible services for the refurbishment, resale or commodity reclamation of IT assets recycled for commercial and post-consumer suppliers.
- **Secondary processing and other services** - comprising the recycling of municipal curbside materials, stevedoring, and other sources of service-based revenue.

(b) Sales revenue by product

	Half year ended 31 December	
	2020 A$m	**2019 A$m**
Ferrous secondary recycling	**1,765.1**	1,783.6
Non-ferrous secondary recycling	**486.9**	624.0
Recycling services	**152.3**	247.9
Secondary processing and other services	**47.7**	54.1
Total sales revenue	**2,452.0**	2,709.6

Note 2 – Segment information (continued)

(c) Information about reportable segments

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

	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
As at 31 December 2020								
Assets	**1,043.3**	**673.1**	**343.1**	**43.8**	**265.2**	**133.1**	**646.5**	**3,148.1**
Liabilities	**311.6**	**228.7**	**155.8**	**64.9**	**0.4**	**87.2**	**374.5**	**1,223.1**
Net assets/(liabilities)	**731.7**	**444.4**	**187.3**	**(21.1)**	**264.8**	**45.9**	**272.0**	**1,925.0**
As at 30 June 2020								
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/(liabilities)	809.4	444.7	143.5	(16.0)	277.3	52.4	271.0	1,982.3

The following is an analysis of the Group's revenue and results by reportable operating segment:

	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
Half year ended 31 December 2020								
Total sales revenue	**1,067.0**	**478.3**	**428.0**	**284.2**	**-**	**152.3**	**42.2**	**2,452.0**
Other revenue	**3.0**	**0.3**	**0.1**	**-**	**1.1**	**0.2**	**0.6**	**5.3**
Total segment revenue	**1,070.0**	**478.6**	**428.1**	**284.2**	**1.1**	**152.5**	**42.8**	**2,457.3**
Segment EBIT	**15.3**	**42.3**	**5.7**	**3.6**	**24.4**	**4.6**	**(17.4)**	**78.5**
Interest income								**1.6**
Finance costs								**(6.9)**
Profit before income tax								**73.2**
Half year ended 31 December 2019								
Total sales revenue	1,133.0	503.5	487.6	293.2	-	247.9	44.4	2,709.6
Other revenue	3.1	0.5	-	0.1	-	0.2	0.5	4.4
Total segment revenue	1,136.1	504.0	487.6	293.3	-	248.1	44.9	2,714.0
Segment EBIT	(45.5)	16.8	(61.5)	2.4	-	(5.5)	(1.9)	(95.2)
Interest income								0.5
Finance costs								(8.0)
Loss before income tax								(102.7)

Note 3 – Dividends

Details of dividends paid are as follows:

	Cents per share	Franked %	Half year ended 31 December 2020 A$m	Half year ended 31 December 2019 A$m
Final 2019	19.0	100%	-	38.6
Total dividends paid			-	38.6

Since the end of the half year, the Directors have declared an interim dividend of 12.0 cents per share (100% franked). The dividend will be payable on 23 March 2021 to shareholders on the Company's register at the record date of 8 March 2021. The estimated dividends to be paid, but not recognised as a liability at the end of the reporting period, is approximately A$24.2 million.

Note 4 – Items included in profit/(loss) before income tax

Profit/(loss) before income tax includes the following items whose disclosures are relevant to explaining the financial performance of the Group:

	Half year ended 31 December 2020 A$m	Half year ended 31 December 2019 A$m
(a) Other income		
Net foreign exchange gain	**8.2**	0.7
Net gain on disposal of property, plant and equipment	**0.9**	1.1
Net gain on currency derivatives	**0.8**	4.1
Insurance recoveries	**2.8**	10.1
Government grants[1]	**12.5**	0.3
Non-recurring gain on asset disposition	**6.6**	-
Third party commissions	**1.4**	0.5
Other	**3.7**	3.7
	36.9	20.5
(b) Specific expenses		
Depreciation and amortisation:		
Depreciation expense, net of right of use asset depreciation	**60.8**	64.5
Right of use asset depreciation expense	**37.7**	31.2
Amortisation expense	**0.1**	2.4
	98.6	98.1
Lower of cost and market adjustments[2]	**-**	11.3
Net loss on commodity derivatives	**32.2**	5.4
Equity-settled share-based payments expense	**8.0**	6.2
Cash-settled share-based payments expense	**0.5**	0.4

[1] Amounts primarily relate to grant income received from various regional government relief packages in response to COVID-19, including A$11.8 million grant income from the Australian JobKeeper scheme.
[2] Lower of cost and market adjustments relates primarily to unsold inventory leading into September 2019 which was subsequently sold at a loss.

Note 4 – Items included in profit/(loss) before income tax (continued)

(c) Significant items

	Half year ended 31 December	
	2020 A$m	**2019 A$m**
Impairments:		
Impairment of goodwill	**-**	13.0
Impairment of other intangible assets	**-**	14.6
Restructuring and redundancies[1]	**0.9**	33.6
Environmental provisions	**1.1**	11.0
Impact of fires, net of insurance recoveries to date	**(1.2)**	(5.3)
Non-qualified hedges[2]	**(5.0)**	1.9
Net loss on asset disposals	**0.5**	3.2

[1] FY20 amount primarily related to the restructure of UK operations.
[2] Non-qualified hedges include the impact of financial hedges that do not qualify for hedge accounting.

Note 5 – Income taxes

The prima facie income tax on profit before income tax differs from the income tax in the consolidated income statement and is reconciled as follows:

	Half year ended 31 December	
	2020 A$m	**2019 A$m**
Profit/(loss) before income tax	**73.2**	(102.7)
Tax at the standard Australian rate of 30%	**22.0**	(30.8)
Effect of tax rates in other jurisdictions	**(4.2)**	17.2
Deferred tax assets not recognised	**0.2**	1.3
Recognition of tax effect of previously unrecognised tax losses	**(1.9)**	(0.1)
Non-deductible expenses	**1.8**	1.0
Share of net results of joint ventures	**(1.5)**	(2.0)
Share-based payments	**(1.4)**	(1.5)
Remeasurement of deferred tax balances	**-**	2.1
Non-assessable income	**(0.1)**	(0.1)
Local trade and income taxes	**2.1**	1.9
Adjustments for prior years	**3.0**	-
Other	**0.2**	(0.6)
Income tax expense/(benefit) recognised in profit or loss	**20.2**	(11.6)

At 31 December 2020, the Group has not recognised deferred tax assets totaling A$79.2 million (30 June 2020: A$84.3 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$61.2 million (30 June 2020: A$61.7 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$12.5 million (30 June 2020: A$13.1 million) of tax losses that will expire in five to 20 years. Other unused tax losses may be carried forward indefinitely.

Note 5 – Income taxes (continued)

On 31 January 2020, the UK exited from the European Union. There was a one year transition period that recently ended with the signing of the EU-UK Trade and Cooperation Agreement. The agreement preserves the four areas of a single market: free movement of goods, services, capital and people. For customs purposes, the UK has exited the EU resulting in a whole series of new customs and regulatory checks, including rules of origin and stringent local content requirements. The UK has updated the customs processes for the changes starting in January 2021.

Note 6 – Earnings/(loss) per share

	Half year ended 31 December	
	2020	**2019**
Basic earnings/(loss) per share (in A¢)	**26.4**	(44.9)
Diluted earnings/(loss) per share (in A¢)	**26.3**	(44.9)
Weighted average number of shares used in the denominator ('000)		
Basic shares	**201,044**	202,726
Dilutive effect of share-based awards	**843**	-
Diluted shares	**201,887**	202,726

Due to the loss after tax in the half year ended 31 December 2019, the dilutive effect of share-based awards, which was approximately 1.1 million, was not included as the result would have been anti-dilutive.

Note 7 – Equity

(a) Contributed equity
Movements in the ordinary share balance were as follows:

	Half year ended 31 December 2020		Half year ended 31 December 2019	
	Number of shares	**A$m**	**Number of shares**	**A$m**
On issue per share register at the beginning of the period	**201,217,486**	**2,735.6**	202,730,877	2,750.2
Shares bought-back	**-**	**-**	(448,887)	(4.9)
Issued under long-term incentive plans	**98,819**	**-**	240,247	2.4
On issue per share register at the end of the period	**201,316,305**	**2,735.6**	202,522,237	2,747.7
Less: Treasury shares held at the end of the period	**(172,714)**	**(1.4)**	(113,316)	(1.3)
Total contributed equity	**201,143,591**	**2,734.2**	202,408,921	2,746.4

With effect from 1 January 2020, the Company has allowed participants to withhold shares to satisfy applicable tax withholding and exercise costs under the long-term incentive plans.

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 31 December 2020, the trusts held 172,714 shares.

Excluding shares held in the employee share ownership programme trusts, the number of shares held in equity as at 31 December 2020 was 201,143,591 with a value of A$2,734.2 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.

Note 7 – Equity (continued)

(b) Reserves

	Share-based payments A$m	Cash flow hedging A$m	Foreign currency translation A$m	Total A$m
Balance at 1 July 2019	223.7	(0.4)	13.0	236.3
Equity-settled share-based payment expense	6.2	-	-	6.2
Revaluation – gross	(0.3)	-	-	(0.3)
Transfer to profit or loss – gross	-	0.6	-	0.6
Foreign currency translation differences	-	-	9.9	9.9
Deferred tax	1.8	(0.2)	0.1	1.7
Balance at 31 December 2019	231.4	-	23.0	254.4
Balance at 1 July 2020	238.1	(1.1)	29.9	266.9
Equity-settled share-based payment expense	**8.0**	**-**	**-**	**8.0**
Conversion of equity-settled awards	**(0.5)**	**-**	**-**	**(0.5)**
Share of joint venture's other comprehensive income	**-**	**(0.1)**	**-**	**(0.1)**
Gain reclassified to profit or loss on disposal of foreign operations	**-**	**-**	**(0.1)**	**(0.1)**
Foreign currency translation differences	**-**	**-**	**(128.0)**	**(128.0)**
Deferred tax	**2.8**	**-**	**17.8**	**20.6**
Balance at 31 December 2020	**248.4**	**(1.2)**	**(80.4)**	**166.8**

Note 8 – Business disposals

During the half year ended 31 December 2020, the Group agreed to sell its Dubai operations. The sale was effective as of 31 December 2020 total consideration of A$0.1 million resulting in a loss on sale of A$0.5 million, included in other expenses.

Note 9 – Contingencies

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 31 December 2020 was A$50.4 million (30 June 2020: A$57.0 million).

Note 10 – Subsequent Events

During February 2021, the Group entered into a contract to acquire an aluminium processing business within the NAM segment for an initial cash consideration of A$33.0 million. In accordance with the requirements of AASB 3 *Business Combinations*, the final acquisition accounting, which will include contingent consideration, will be completed within 12 months from the date of acquisition.

During February 2021, the Group acquired an existing purpose-built recycling facility in Sydney to support its strategic growth initiatives. The cost of acquiring the property, including stamp duty, was A$8.4 million.

Sims Limited
Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 12 to 23 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 value view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half 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.

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

G N Brunsdon
Chairperson
Sydney
16 February 2021

A Field
Managing Director and Group CEO
Sydney
16 February 2021

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Independent Auditor's Review Report to the members of Sims Limited

Conclusion

We have reviewed the half-year financial report of Sims Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 12 to 24.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with 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 annual 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 review report.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Deloitte.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Don Pasquariello

Don Pasquariello
Partner
Chartered Accountants
Sydney, 16 February 2021