

SIMSMETAL

2002

ANNUAL REPORT

our changing
global BUSINESS

strong profit
INCREASE

recycling services
LAUNCHED

our new CEO INTERVIEWED

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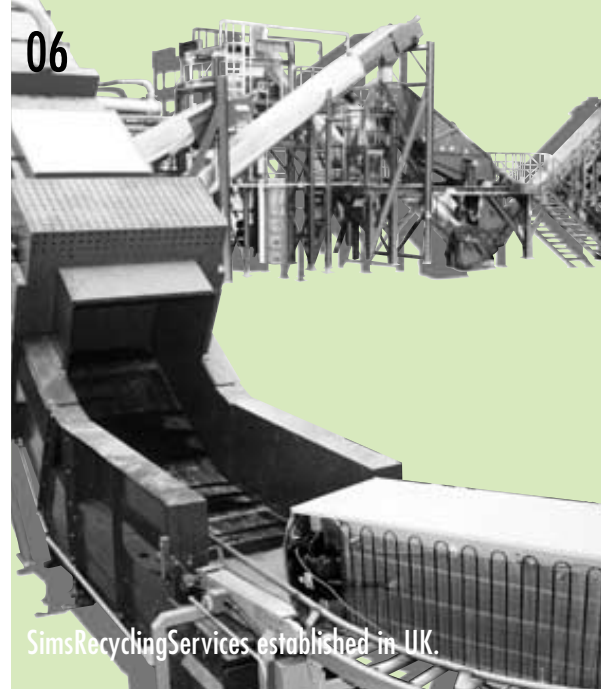
The Annual General Meeting of Simsmetal Limited will be held in the James Cook Ballroom, Hotel Inter-Continental, 117 Macquarie Street, Sydney, NSW on Thursday, 14th November 2002 at 11:00am. A Notice of Meeting and Proxy Form are enclosed with this report.

front COVER: The international face of Simsmetal



Simsmetal
Limited ABN 37 008 634 526

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SimsRecyclingServices established in UK.

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Our new CEO interviewed

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Renewable energy developments

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Human resources initiatives

Paul Mazoudier
CHAIRMAN



Year in BRIEF



The Simsmetal group recorded a strong performance for the financial year, reporting a consolidated operating profit after tax of \$48.6m, up 19% on the previous year.

During the year, Mr John Crabb retired as Managing Director of Simsmetal, and Mr Jeremy Sutcliffe was appointed the new Group Chief Executive. John Crabb's contribution over many years has laid a very strong foundation for the group, and I am confident Jeremy Sutcliffe will build on that in the years ahead.

The directors have declared a fully franked final dividend of 19 cents per share, up 2 cents on the 17 cents per share interim dividend, bringing to 36 cents per share the total dividend for the 2002 fiscal year. The final dividend will be paid on 11 October 2002.

Continuing the board's policy of reviewing the group's worldwide operations, the directors visited the group's United Kingdom operations during the year. Simsmetal is now the second largest metal recycler in the UK and the importance of these operations is reflected in the fact that the UK business made the greatest PBIT contribution to the group in fiscal 2002. UK management are increasingly focusing their attention on recycling solutions such as refrigerator and end of life vehicle recycling. Indeed, it was with great pleasure that the board had the opportunity to attend the opening, on 1 July 2002, of the first dedicated refrigerator recycling plant in the UK, located at our Newport, South Wales facility. More information on our recycling services initiatives can be found later in this report.

The board is committed to ensuring that the group continues to maintain the highest level of corporate governance and compliance and has reviewed and updated its position in light of the recent public debate. Focus on occupational, health and safety and environmental best practices are also high priorities throughout our global operations.

In closing, my fellow directors join me in extending our congratulations to all employees worldwide for their efforts in achieving another excellent result for the year.

FINANCIAL SUMMARY for the year ending 30 June

	2002 (A\$'000s)	2001 (A\$'000s)
Total Operating Revenue	1,423,709	1,358,487
Profit Before		
Interest and Tax	76,644	68,012
Net Interest Expense	(5,436)	(10,954)
Tax Expense	(22,649)	(16,193)
Operating Profit		
After Tax	48,559	40,865
Net Profit (After		
Minority Interests)	48,525	40,894
Net Cash Flows		
from Operations	103,211	97,124
Earnings Per Share		
- basic	54.0¢	46.6¢
- diluted	53.0¢	45.7¢
Dividends Per Share	36.0¢	32.0¢
Return on		
Shareholders' Equity	14.3%	13.3%
Current Ratio	1.8:1	1.8:1
Net Debt to		
Funds Employed	7.6%	23.7%
Net Tangible Asset		
Backing per Share	\$2.83	\$2.45



chief executive's REVIEW

financial results

As the new Group Chief Executive, I am pleased to report a significant increase in profits in fiscal 2002 over the previous year. Sales revenue was \$1.41 billion, up 4%, EBITDA was \$114.7 million, up 7% and EBIT was \$76.6 million, up 13%. PAT at \$48.5 million represented an increase of 19%. Total group volumes handled were 5.1 million tonnes, slightly above the previous year.

This was an excellent result, with earnings for the year exceeding both the group's budget and forecast. The group had a particularly robust final quarter, recording its best ever three month result, assisted by a strong recovery in our North American business, particularly our core Northern Californian operations. Once again, the UK business recorded a strong result and our Australasian operations, other than our wholly owned manufacturing operations, also performed well.

As an indication of the global spread and strength of our international operations, over 60% of EBIT earnings were sourced from offshore.

Net operating cash flow of \$103 million and net cash generated of \$31 million resulted in a strengthened balance sheet, with net debt to funds employed of 7.6% as at the end of the financial year. Earnings per share at 54.0 cents, was up 16%.

During the year, emphasis was placed on organic growth rather than acquisitions, and the continuation of technological improvements in the metal extraction capabilities of our shredding facilities. There was also much attention devoted to the development of new growth opportunities, particularly Recycling Services. Further comment on this exciting development will be found later in this report.

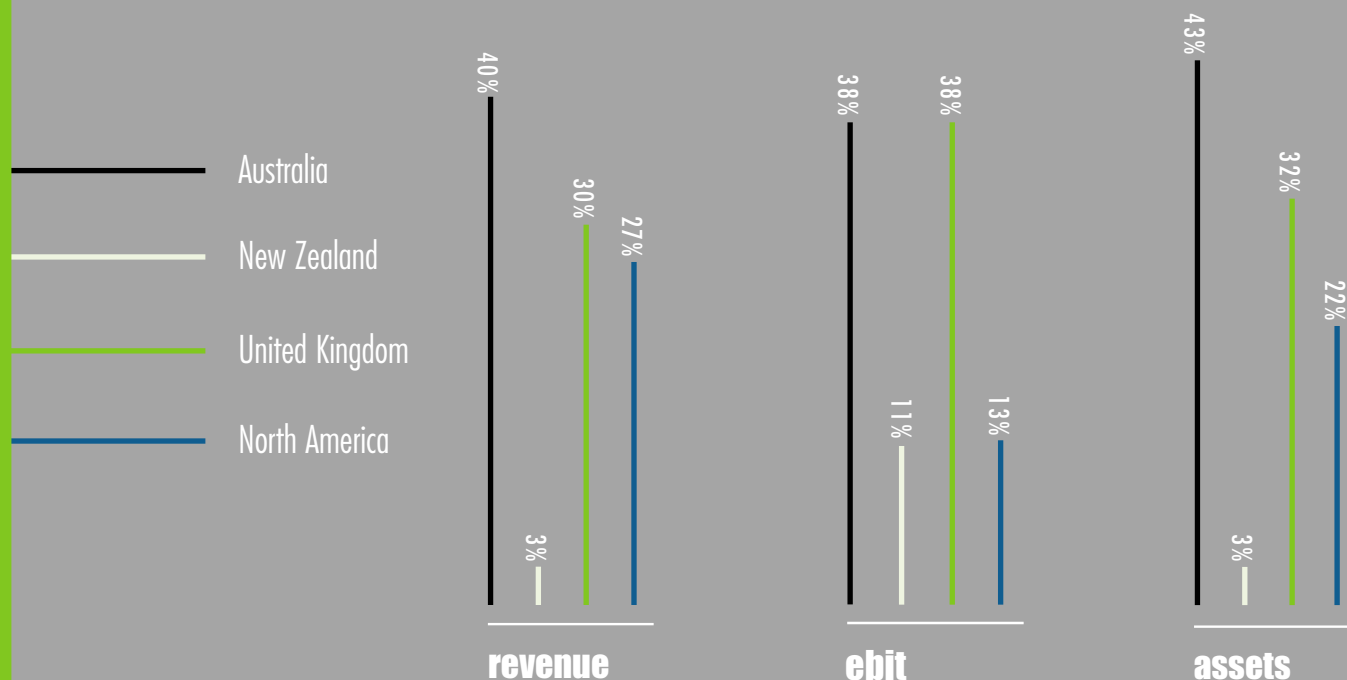
Once again, our success has been based on the contribution of our people, who remain the Company's single most important asset. As the world of commodity trading continues to change on an almost daily basis, our team remains flexible enough to adapt to evolving business conditions, working hand in hand with the professional operators of our plant and equipment.

All this was achieved on the back of a significant improvement in the group's health and safety record, which saw the group's LTI frequency rate fall from 21.2 to 14.4, a reduction of 22% year on year. Longer term, our target remains zero workplace accidents.

02


Jeremy Sutcliffe
group chief EXECUTIVE

Simsmetal's goal is to become an increasingly stronger international company that is continually expanding its core metal recycling activities whilst developing an innovative recycling services and solutions business.



outlook

Fiscal 2002 saw a strong rebound in ferrous profitability. This followed an increase in global prices resulting from, in part, the increase in steel prices triggered by the US trade sanctions, and also from a tightening in supply. Ferrous selling prices have held throughout the first quarter and should form the platform for another strong year in fiscal 2003, provided the relative softness of the Australian dollar continues and there is no further weakening in terminal non ferrous prices and demand. In particular, the ability of our US operation to maintain its fourth quarter performance will be critical to our achieving the budgeted increase in our financial performance for the year ahead.

operational results shredding and other ferrous operations

With all core business units operating efficiently, volumes in line with forecast and improved non ferrous residue recoveries, the group was able to take full advantage of both improved ferrous and non ferrous shredder residue prices. Demand in Asia, particularly China, was strong as a result of renewed confidence in these markets following sharp finished steel price increases. This, coupled with a shortage of material from the countries bordering the Black Sea, led to competition amongst consumers for the group's ferrous products. Demand in the US was also spurred by higher steel prices, following the introduction of tariff protection, which assisted our US division including our otherwise under-performing Southern Californian operation. Our Australian business was assisted by a generally soft Australian dollar. Our New Zealand and Canadian operations also performed above expectation.

Our UK operations had another very strong year. Unfortunately, since year end, steel manufacturer ASW Holdings plc, Simsmetal UK's largest domestic customer, went into administrative receivership which led to the need to make provisions in excess of A\$3m during the fourth quarter. If the ASW Cardiff mill remains shut permanently, material will be diverted to export markets and we will upgrade our export facilities in South Wales.

non ferrous operations

So far as the group's non ferrous operations were concerned, group non ferrous trading profitability overall was ahead of forecast and was satisfactory. Our international brokerage operations made a meaningful contribution during the year. Increased competition led to some pressure on both margins and volume. Partly in response to this, we opened a new representative office in Chennai, India, during the final quarter. Other initiatives will be instigated throughout the coming year targeted to maintain our position as one of the world's leading operators in this sector.

manufacturing & joint ventures

Overall, the results for the year from the group's Australian manufacturing operations were disappointing. Following a review carried out during the year, a strategy has now been implemented to consolidate our aluminium business onto one site and install a new 16 tonne primary melting furnace and ancillary plant, which will lead to operational efficiencies and cost savings aimed at improving returns. Similarly, our Melbourne plastics business has, since year end, relocated to new premises to coincide with the commissioning of new equipment. This will assist in reducing costs and broadening our product range.

26 operations in Europe

14 operations in North America

3 operations in Asia

3 operations in Pacific Islands

recycling services

04

34 operations in Australia

8 operations in New Zealand

The performance of Consolidated Extrusions, Simsmetal's joint venture with Crane Group Limited, while satisfactory, was down on the previous year. Australian Refined Alloys, our secondary lead smelting joint venture with Pasmenco Limited, had a record year in terms of earnings. Sims Pacific Metals Limited, the Company's metal recycling joint venture with Fletcher Building Limited in New Zealand, continued to perform strongly. Landfill Management Services Pty Limited, in which the Company has a 25% equity interest, undertook several new landfill gas/energy projects, either individually or with joint venture partners. LMS's earnings, while modest, were above budget.

The development of the group's recycling services strategy continued throughout the year. Simsmetal UK's refrigerator shredding facility at Newport, South Wales, the first in the UK, was successfully commissioned on 1 July 2002. A full account of this new Division appears later in this report.

our new group chief executive INTERVIEWED

Q: Tell us a little about your background.

A: My association with the Sims Group started in 1987 when I joined its then parent, Peko Wallsend. This coincided with Sims' international expansion and I worked closely with John Crabb on the acquisition of our Northern Californian business. I joined Sims full time in 1990 and after six years running Sims International, the Group's marketing arm, took over as Chief Executive of Simsmetal UK Limited. Following the retirement of John Crabb, I was appointed Group Chief Executive on 1 March 2002.

Q: John Crabb led the Company for many years. Will your style be any different?

A: Firstly, I would like to echo the Chairman's comments in thanking John for his tremendous contribution as MD & CEO. John took Sims from being an Australian based division of a mining group to the world's most recognised international metal recycler, independently listed on the ASX. I was able to work very closely with John over the past 15 years and he shared much of his knowledge of the international metal recycling industry with me. John had his own unique style and I guess I do too. It will be my intention to build on the platform I have inherited and to take the Company into the next stage of its development.

Q: How important is your management team going forward?

A: I am fortunate to have around me a very capable and experienced management team who have given me their full support during this transitional period in leadership. The key to our continued growth and success is to unlock further the talent and skills of our people as the business evolves. For this reason, we have appointed a Group Human Resources Manager, reporting directly to me and specifically tasked with unleashing our people's true potential through structured training, appraisal and development programs.

Q: What do you mean by the "international face of Simsmetal"?

A: By that I mean that the Sims Group has grown over the past 15 years or so to become a truly internationally focused organisation. We now have 88 operating facilities around the globe employing people of many different cultures and backgrounds. Last year, more than 60% of our EBIT earnings came from our overseas operations. The extent of our reach is further evidenced by the fact that, by destination, approximately 46% of our ferrous and non ferrous sales were to export markets, of which 22% was to our largest market, China. We see further opportunities to extend our global reach over the years ahead.





Q: What were the major achievements of the Sims Group last year?

A: Obviously, the strong improvement in earnings was very satisfying. In particular, our US business benefited from two years of streamlining and cost control which left it well positioned when market conditions improved towards the end of the year. The whole process, from feasibility to commissioning, of our UK refrigerator recycling facility, was also a great achievement. Generally, our excellent working capital management and resultant strong cash flow has meant we have a very low net debt level at year end.

Q: What changes can we expect in the coming year?

A: Our corporate goal is to expand our core metal recycling activities internationally if the right opportunity presents itself. Any metal recycling acquisitions will, however, have to satisfy our strict investment criteria. Apart from delivering shareholder value, it is important that we achieve, or have a reasonable expectation of achieving, market leadership in any new market, by becoming either the number one or number two operator in the region. We must also maintain the flexibility to service either domestic or export markets.

At the same time, we will continue to develop our recycling services business by delivering technologically advanced, customer focused and cost effective end of life product solutions. This will also assist us in meeting the Company's Environmental Objective of improving the environment through the advancement of recycling.

Q: Tell us more about Simsmetal's recycling services strategy.

A: This is an exciting opportunity, as our recycling activities have been traditionally limited to recycling commodities that have inherent value. The range of products which society, through legislation or corporate social responsibility, expects to be recycled, will invariably involve "fee for service" opportunities as the value of the recycled products will not cover the cost of collection and processing. Aside from delivering growth per se, this division will, in time, offer sustainable earnings to soften the fluctuations in our cyclical core metal recycling business.

Q: What is the future of metal recycling?

A: Metal recycling will be with us for the long term. A lifecycle analysis of major industrial metals recently carried out by the CSIRO in Australia, has shown that the recycling of metals continues to offer significant scope for savings in energy, global warming potential and waste disposal. Metals can, in theory, go on being re-used indefinitely and, with the steel sector continuing its shift to electric arc furnace melting, I believe Simsmetal has a very bright future.

Q: Where would you like to see Sims positioned in say, 5 or 10 years time?

A: Over the long term, we would like to see our recycling services business become as important as our core metal recycling business. This represents a significant challenge, especially if our metal recycling business continues to grow as well. With the support of our people, and the extension of existing EU legislation into Australia and the US, then I see this as being an achievable goal.

Graham Davy
managing director,
sims recycling services -
europe & north AMERICA



Peter Netchaef
general manager,
recycling services -
AUSTRALIA



recycling SERVICES

ELVIS

While metal recycling is a well established industry worldwide, the increasing sophistication of manufactured consumer products, coupled with the growing social and political pressure to improve waste disposal practices, has resulted in recycling companies facing new, and exciting, challenges.

As a response to these challenges, Simsmetal has established a "Recycling Services" division to its operations to deal with the specific recycling of post consumer products such as refrigerators, end of life motor vehicles and electronic goods, all of which require special environmental considerations under existing and emerging EU and, potentially, US and Australian regulations. It is intended that this new division will utilize specialized technology and sophisticated equipment to ensure that these complex material streams are recycled in the most environmentally sound manner.

The introduction of new European Directives and associated regulations has provided Simsmetal UK with "fee for service" investment opportunities, and a strategy is being implemented to take maximum commercial advantage of these.

Simsmetal UK's recycling services business is currently focusing upon three key items of legislation: the End of Life (ELV) Directive, The Waste from Electrical and Electronic Equipment (WEEE) Directive and the Ozone Depleting Substances (ODS) Regulations.

During the year, in response to the introduction of the ODS Regulations, Simsmetal UK invested in a purpose designed refrigerator recycling facility at Newport. These Regulations require the processing of CFC containing fridges and freezers to be undertaken in a controlled environment in which all CFC gases are captured effectively. Capable of processing over 300,000 fridges annually, this plant is the largest of its kind and the most technologically advanced process in Europe. The facility, the UK's first operational plant, was officially opened on the 1st July 2002.

The ELV Directive moves closer to adoption into UK legislation. This Directive calls for end of life motor vehicles to be de-polluted in licensed facilities prior to processing and imposes minimum recyclable material recovery levels. Although it is expected vehicle manufacturers will eventually be held responsible for ensuring disposal in accordance with the Directive, in the short term the vehicle's last owner will face the financial burden.

This presents another opportunity for Simsmetal, and our experience in developing de-pollution rigs at our Avonmouth operation will assist our strategy of adding value to the front end of our shredding processes. During the year Simsmetal UK, in joint venture with another major operator, launched "Elv-is", an internet based data capture system. The "Elv-is" system is designed to assist manufacturers in fulfilling their reporting obligations under the Directive and is another example of how Simsmetal is adding value in the "fee for service" sector.

The WEEE Directive is scheduled for adoption by the UK in 2003/4. This Directive compels manufacturers to be responsible for the recycling of ten separate post consumer electrical product waste streams. Simsmetal is actively looking at recycling processes and other opportunities in this exciting growth market.





renewable ENERGY

The past year has seen much positive and strategic growth for Landfill Management Services Pty Limited ("LMS"), in which Simsmetal has a 25% interest, with the right to move to 50%.

The ReOrganic Energy project at the Swanbank Landfill in Queensland, in which LMS has a one third interest with Thiess Services and New Hope Energy, completed commissioning during the year and is supplying gas to the CS Energy Swanbank B Coal Fired Power Station. This project represents the most successful use of this type of technology in Australia. The total energy and environmental benefits of this project in its first year of operation include the generation of approx 15,000MWh of renewable energy and the reduction of approx 77,500 tonnes of carbon dioxide equivalent greenhouse gas emissions. This is, per annum, equivalent to the removal of 18,300 cars from the road or the reduction in use of 206,500 barrels of oil or the planting of 7,900 hectares of trees.

LMS has also acquired the gas rights to the Brisbane Landfill, one of Australia's premier landfills. In a joint venture with Thiess Services and CS Energy, applications have been lodged, and preliminary approvals given, for the construction of a renewable energy facility which will generate approx 25,000MWh of green energy per year. Construction is planned for 2003.

A greenhouse gas verification audit was conducted at the South Cardup Landfill in Western Australia where LMS is combusting gas generated at the site and subsequently selling emission reduction units to BP Australia Limited. The audit, undertaken by Ernst & Young, concluded that "all methane metered [through the LMS clean burn enclosed flare] and subsequently burnt will qualify for emission reduction units". The plant has generated approximately 6,000 tonnes of emission reduction units for sale since commencement.

John Falzon
managing director, landfill
management SERVICES



LMS has also formed an alliance with the Atlas Group, a company with a significant reputation in the processing and digestion of municipal waste through its Atlas Secondary Waste Treatment Process. As part of the alliance, LMS will examine the development of a renewable energy facility to supply the Atlas plant, as well as developing technologies for the use of organic residue from the process. An Atlas plant is currently operating in Western Australia at the City of Stirling and is processing approx 70,000 tonnes of municipal solid waste per annum through a mechanical sorting process. All the organics (paper, food and garden waste) are separated and can be used to create compost, energy or refuse derived fuel, while the sorted bottles, cans and other packaging materials are recovered for beneficial use.



During the year, as part of a disciplined growth strategy, and to expand its existing skill base, LMS recruited several senior personnel and established a technical services group which is responsible for the development of the micro-power system, renewable energy facilities and power stations. LMS further defined its three main business units into Gas, Energy and Power.

LMS is currently pursuing opportunities in the USA and Malaysia, with the potential to significantly expand LMS' technology to the international market.



Rick Jansen
president,
simsmetal AMERICA



global REPORTS

united states of america

Simsmetal America endured an extremely difficult trading period during fiscal 2002. The domestic steel industry has been suffering since 1997, when the Asian financial crisis led to an avalanche of cheap steel imports. Since then, more than 30 steelmakers have filed for bankruptcy and many have subsequently closed down. The massive correction in the technology sector and the subsequent slowdown in Silicon Valley had an immediate effect on our volumes. The tragic events of September 11 and the impact it had on the US economy were also far reaching. This was exacerbated towards the end of the year by the financial disclosure scandals surrounding several major corporations and even the collapse of some.

These unique conditions forced us to reshape our business to accommodate the changing conditions. The biggest impact was in the non ferrous division, where the downturn in Silicon Valley adversely affected volumes. A significant reduction in operating costs from this division compared to the previous year has it well placed to benefit from any improvement in manufacturing in the technology sector.

Despite the unsettled conditions, our ferrous division enjoyed intake levels similar to the previous year. It was also able to benefit from the significantly improved ferrous selling prices in the second half of the year. These improved conditions were partly as a result of domestic steel producers increasing production in response to the enactment by the Bush administration in March 2002 of three year tariffs of up to 30 per cent on imported steel.

Our new steel sales division posted a 21% earnings improvement on the previous year and our shredder recovery division also improved by more than 18%. The consolidated annual result exceeded the original budget and was an improvement of more than 130% on the previous year.



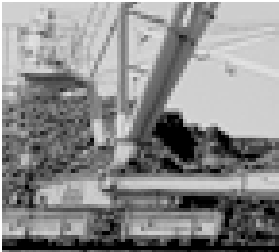
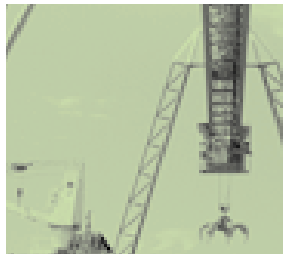
Various plant upgrades were undertaken throughout the year which, with the benefit of the latest technology, led to an improvement in production and recoveries. More of these upgrades are planned as we strive to achieve best practice.

We continue to train our employees in safe work procedures and their commitment has been rewarded with two of the divisions celebrating more than three years without a lost time injury and one division with more than two years. This is an ongoing program with the target being an accident free workplace.

canada

Simsmetal Canada, through its 50% owned Richmond Steel Recycling, performed strongly throughout the year. Volumes increased 7% on the previous year and the final earnings result improved by more than 50%. This division has experienced significant growth over the past few years and offers a number of opportunities for future growth.

This year management and staff celebrated three years without a lost time injury, which is a real achievement given the harsh conditions sometimes encountered in the north.



united kingdom

Simsmetal UK enjoyed a successful year with the company's export facilities being extremely busy throughout the period. With UK crude steel production at its lowest level since 1947, the company's flexibility in having deep sea dock terminals was fully realised with record tonnages passing through both its Avonmouth and Newport facilities. A two port load system was developed whereby shredded material produced at the company's dock side shredder can be loaded at Avonmouth while HMS produced at the company's heavy duty shear, and other grades, can be loaded at Newport. This has allowed Simsmetal UK to take advantage of those markets that require mixed grade cargoes.

The UK business continued to demonstrate its ongoing commitment to health and safety, with the lost time injury frequency rate down 43% for the year. This reduction has been achieved through education and job specific training, focusing all of our employees on the importance of creating a safe working environment.

Tom Bird
managing director,
metals recycling -
simsmetal UK



In August 2002, Simsmetal UK's new £1m rail link was opened at Nottingham. The rail link enables the Nottingham yard to transport shredded scrap produced at its 98/104 Texas Shredder to domestic mills and the dock facility at Newport, should market conditions dictate. Productivity levels from its Nottingham shredder also improved, with record tonnages being achieved.

During the year, the company continued to grow its customer base. The development of a total waste management solution for larger engineering and automotive companies is an area that Simsmetal UK will be concentrating on in the future.

The company recently began the implementation of a new maintenance and engineering system across its UK business aimed at improving information on our main production units and ultimately reducing costs. Simsmetal UK also continued to invest in both systems and process technology at its dense media separation plant in order to increase metal separation efficiency and reduce processing costs.

The receivership of ASW after year end presents a series of challenges, but the flexibility of our business leaves us well placed to respond by either continued domestic supply or the sale of material to export markets.



Darron McGree
group executive
general manager,
AUSTRALASIA

australia

Our goals for fiscal 2002 were to increase volumes in both our ferrous and non ferrous divisions, particularly from the post-consumer streams, and extract the maximum metal recoverables from these sources. A strong focus on process control and continuous improvement meant that these goals were not only met, but showed substantive gains in all key areas.

Close attention to detail, coupled with Simsmetal's continued investment in technology, resulted in metal yields from processing increasing by 15%, allowing for another strong contribution to the overall result.

The combination of increased volumes and efficiency gains resulted in reduced unit operating costs throughout Australia and enhanced our capability as a service provider to major Australian industry.

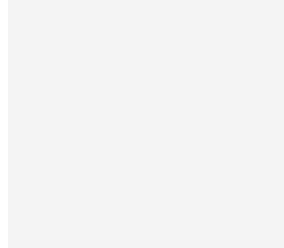
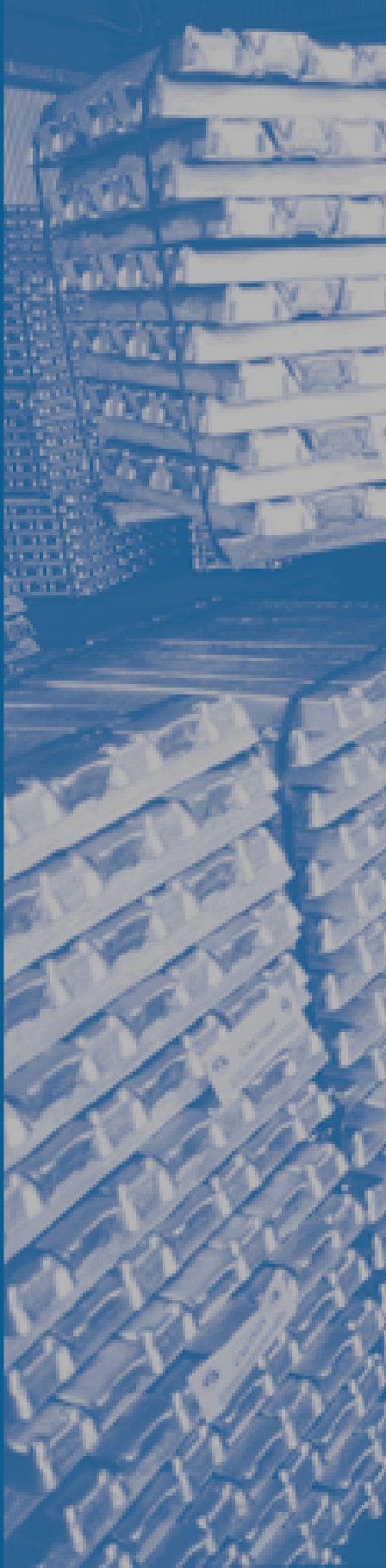
During the year, Simsmetal Queensland took delivery of a new mobile baler which, with its truck and trailer, measures 30 metres in length and weighs in excess of 80 metric tonnes. The baler commenced work in the Company's Townsville yard and will supply feed to the Brisbane shredder from across northern Queensland and the Northern Territory.

SimsSteel, the steel distribution arm of Simsmetal, achieved substantial growth during the year. Our Queensland steel distribution business became the first within the Simsmetal group to go to a full warehouse operation when it relocated to a dedicated 3000 square metre warehouse. There are plans for further expansion of this division during fiscal 2003.

Employees continued to be involved in problem solving and decision making through participation in continuous improvement teams. This allowed for the building on the good relationships between management and employees through better communication and information flow. Formal personal performance discussions were held with all employees and individual goals set, further empowering employees to contribute to their full potential. The development of stronger bonds and teamwork was reflected in a 10% reduction in labour turnover.

The strong focus on safety continued with the enhancing of observational auditing of behaviour, with particular attention to reinforcing safe working behaviour and removing unsafe elements. This commitment to safety was evidenced during the year with a 45% reduction in the lost time injury frequency rate from 13.7 to 7.5, on the back of a 35% reduction in the previous year. Of particular mention are our employees in Tasmania who achieved the proud result of 6 years without a lost time injury.





Doug McLean
general manager,
MANUFACTURING



Sims Aluminium is Australia's largest producer of specification secondary aluminium destined for the domestic automotive industry and South East Asia consumers, and a major processor of aluminium dross sourced from primary aluminium producers.

The company's Melbourne alloying plant increased production by 11% over the previous year. This productivity improvement was assisted by improved demand for the company's products from the domestic automotive sector and growth via a new product specifically developed for a major customer as a substitute for primary aluminium.

Following a detailed review of this division during the year, a strategy is now in place to improve competitiveness and profitability via a capital expansion program during fiscal 2003 focussing on new technology to further enhance productivity and reduce costs. This strategy includes rationalisation of the company's aluminium dross processing division. The St Marys NSW plant was closed during the latter part of fiscal 2002, with aluminium dross previously processed in this plant now being processed at Geelong, Victoria. This move forms part of the division's strategy to improve its cost base and concentrate on productivity improvements in fewer operating locations in line with changing fundamentals within its customer base.

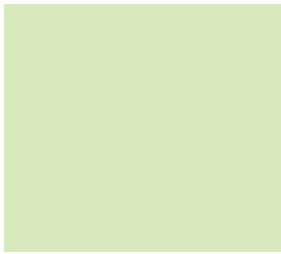
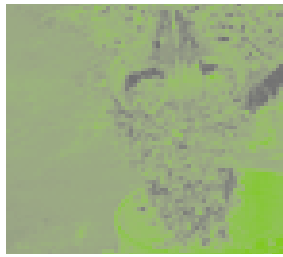
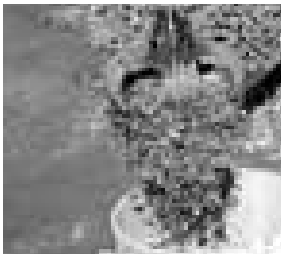
At the company's salt slag recycling facility at Geelong, Victoria, an operation which recycles salt slag waste emanating from Australia's aluminium smelting industry, production volumes exceeded the previous year by 19%.

During the year, Sims Aluminium Melbourne achieved a reduction in medically treated injuries of 50%.

At **Sims Plastics'** recycling operations in Melbourne and Sydney, production volumes increased by 7% over the previous year. As a result of a strategic review of this business unit conducted during the year, relocation of the Melbourne operation took place after year end. In conjunction with a major plant upgrade, the move will result in improved efficiencies and lower costs and support a move into a niche area of the post-consumer market.

In Melbourne, Sims Plastics achieved 12 months without a lost time injury while the Sydney employees recorded the highly commendable achievement of four years without one.

The **commodities trading** division, which imports and markets semi-finished metal products including tin, copper base alloys, magnesium, arsenic and antimony via the Company's international division, enhanced its product range during the year. This business unit supports the aluminium division with a diverse range of commodities which are sold as complementary products into the Company's existing market base.



Productivity at the **Australian Refined Alloys** secondary lead joint venture ("ARA") (in which Simsmetal and Pasminco each has a 50% interest) developed during the year to the point where production capacity exceeded available feed material. Metal production was 33,925 tonnes, which was marginally below the previous year, but achieved over lower operating hours. This, together with favourable metal prices, resulted in record earnings.

The safety performance again improved in the year, evidenced by a 20% drop in the medical referred and lost time injury statistics. Attention has focussed on the behavioural aspects of safety with the introduction of programmes highlighting total awareness of employees' actions and the observation of both safe and potentially unsafe practices.

In the market place, there was a significant shift in demand by the battery industry towards calcium lead alloys. ARA responded by the installation of increased refining and alloying capacity.

The **Consolidated Extrusions** joint venture (in which Simsmetal has a 33.3% interest and Crane Group Limited the balance) had a challenging year with major restructuring following the closure of the Maidstone, Victoria plant. Domestic sales declined slightly despite an increase in residential building activity. Export markets were affected by lower world demand for brass products, particularly in North America. Raw material prices were volatile and remained relatively high. Overall, profit fell 36% compared to the previous year and funds employed increased slightly.

Substantial resources were directed to the transfer of manufacturing operations from Maidstone to the Ingleburn, NSW factory. The move, restructure and integration of the entire product range to Ingleburn were all effectively completed by year's end.

Despite the lower returns, future benefits will flow from the restructuring undertaken this year. Export volumes and prices are expected to recover gradually in line with an improving US economy.

new zealand

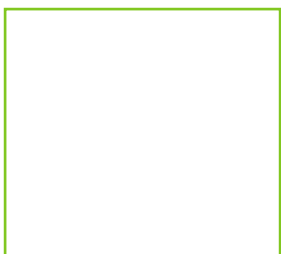
Rodney Brown
general manager,
sims pacific METALS



The Sims Pacific Metals joint venture ("SPM") (in which Simsmetal and Fletcher Building Limited each has a 50% interest) had another record year. Total sales volumes increased by over 9% compared to the previous year.

During the year, the SPM demolition team completed the stage II dis-establishment of the Meremere Power Station, located south of Auckland. This power station, built in the early 1950s, was closed down in 1986. The demolition, which involved the removal of boilers, auxiliaries and chimneys, was performed in a timely and safe manner and resulted in the recovery of over 4,000 tonnes of ferrous metal as well as quantities of non ferrous metals. SPM is currently engaged in stage III work involving the removal of 7 generators, which should be finished by the end of this calendar year.

Other projects successfully completed by SPM during the year included the project management for recovery of rail track, sleepers and associated materials on behalf of Tranzrail, and the processing of several hundred of their obsolete rail wagons, and the purchase and removal of ferrous metals including de-watering pipelines from the Mapouiri second tailrace tunnel project in the south west of the South Island.





south pacific region

Throughout the year, PNG Recycling Limited sourced material from PNG, Fiji, New Caledonia and Vanuatu which was processed and sold to northbound customers as well as locally in Australia.

Productivity improved through more efficient yard layouts, upgraded processing equipment and a reliable transport network. Ongoing training for staff in safe work procedures has resulted in only three lost time injuries having been recorded since Simsmetal acquired the business in 1998.

One of the most exciting developments was being awarded the metal recycling contract for the Ok Tedi Copper Mine. This contract will involve the acquisition of all recyclable metal generated from the mine site for a period of five years. PNG has a number of large scale mining operations and the experience gained at Ok Tedi will enhance our prospects of securing other similar contracts in the future.

PNG Recycling continues to take a pro-active role in the community when it comes to assisting the needs of environmental issues at a local level.

sims international

Kumar Radhakrishnan
general manager,
sims INTERNATIONAL



With Sims International's activities continuing to gain momentum, the volumes handled by the division on behalf of the group during fiscal 2002 more than doubled from that of the previous year. Our representative office in China recorded a strong performance during the year by capitalizing on opportunities available for exports from China, as well as the traditional imports of various non ferrous and ferrous metal products into China. Despite difficult trading conditions, the south East Asian office located in Malaysia also performed satisfactorily, taking advantage of niche opportunities.

Sims International established a new representative office in India during the year and this is expected to significantly strengthen our regional sales network. India is growing in importance as a market for both secondary ferrous and non ferrous products and, in recent years, export volumes from the Simsmetal group into this region have grown consistently. Through this new initiative, we expect to gain better market penetration and develop valuable relationships with customers in the region and position the group well for future growth.

During the year, non ferrous brokerage volumes exceeded 20,000 metric tonnes. In order to develop this segment of our business on a sustainable basis over the long term, Sims International has entered into strategic marketing agreements with key suppliers in some overseas markets. Other opportunities are being closely evaluated.

Core values

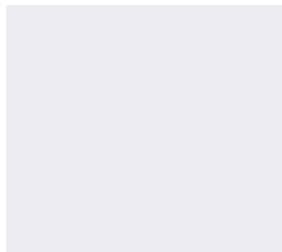
- achieving our goals in a safe work environment
- maintaining constant global and local market awareness
- common goals achieved through teamwork and commitment to industry best practice
- maximising profitability whilst building an outstanding customer service culture



health and safety

The commitment to the health and safety of all its employees continues to be given high priority by the Simsmetal group at all levels internationally. A comprehensive reporting system is in place which captures information and distributes it throughout the organisation via monthly meetings of operational personnel to the Company's board and board sub-committee. This allows for the creation of strategies that lead to constant improvement and the reduction of risks.

There are experienced personnel with exclusive health and safety responsibilities in every division of the group, supported by qualified safety representatives and skilled line managers with access to expert external resources.



With the acknowledged beneficial outcomes of proper risk management, efforts have increased to expand the capability of employees to perform risk assessments. During the past 12 months, emphasis was placed on training personnel to perform risk assessments in accordance with Australian and New Zealand Risk Management Standard AS4360. A risk assessment tool was also created and circulated throughout the group. These initiatives have been supported by an overall safety management program. This has been further supported by integrating components of AS4801 and AS4804 Occupational Health & Safety management systems.



Voluntary health assessments were recently introduced to the Australian workforce. This allows all employees to undergo an independent health assessment and will be followed up on an ongoing basis by the introduction of initiatives to assist our people to adopt alternative healthier lifestyles. This program is already being successfully run in our UK operations.

DuPont observation behaviour training has been provided to all senior and line management in Australia and has also now been fully introduced to our New Zealand and UK divisions. This training, coupled with formal management systems, has had an impact on the safety culture of the group, reflected in a global reduction of 22% in the lost time injury frequency rate from 21.2 in fiscal 2001 to 14.4 in fiscal 2002.

The commitment to health and safety was again supported with relevant personnel from all international divisions within the group attending the annual Risk, Safety & Environmental Conference held in Australia.



our people

The experience and capability of Simsmetal's workforce is a fundamental strength of the Company and employees across all parts of the business have demonstrated commitment to improving our business.

The Company continued to support its 'promote from within' philosophy in moving qualified staff to new positions and different locations throughout the organisation. This practice is reflected at all levels, most notably this year with the appointment of Jeremy Sutcliffe to the position of Group Chief Executive, upon the retirement of long standing Managing Director, John Crabb.

A number of personnel have been allocated to support the new Recycling Services division to service the international demand for the recycling of complex waste streams such as end of life motor vehicles and electronic goods.

Simsmetal has, in key leadership positions, excellent people with a depth of industry and technical experience. To provide an overall strategic focus to organization capability, the Company has appointed a Group Human Resources Manager located at head office and reporting directly to the Group Chief Executive. She will work closely with management teams in developing 'people initiatives' that support the business needs of the group.

Throughout the year, the Company continued to train and develop staff in a number of areas. Considerable training effort was undertaken in trade practices, health, safety and the environment. As a new initiative, Sims Australia introduced on-line learning programs for all its employees, providing access to more than 400 different courses.

With the human resource strategy aligned to support our growing international business, the coming year will see attention directed towards fostering a true performance culture, acquiring and developing talented personnel, identifying and developing new skills required for current and future business strategies, and management and leadership development.

Simsmetal, as an international recycler operating on three continents and supported by a world wide trading network, contributes to sustainable development and resource optimization whilst providing socially and economically desirable outcomes.

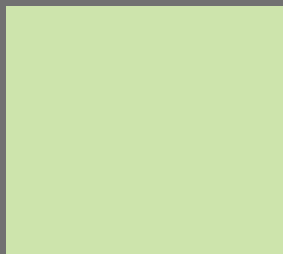
Simsmetal continues to work closely with government entities at international, national, state and local levels to ensure best practice recycling outcomes as well as compliance with environmental regulations affecting its operations. The Company also works with relevant public interest groups as well as industry groups such as the Australian Industry Group, Australian Council of Recyclers, Bureau International of Recycling in Brussels and the Institute of Scrap Recycling Industries in the USA.

The Company has a comprehensive system to ensure environmental compliance. This system includes incident reporting, continuous improvement and leading edge environmental auditing procedures directly linked to management performance schedules and environmental expenditure plans. The group's operations all comply with the ISO 9000 series environmental standards and are progressively acquiring ISO 14000 series certification, the highest environmental standard in the world. Information from all operations is compiled on a monthly basis and reported to the board of directors, who also receive detailed advice on environmental matters via the environmental board sub-committee that meets four times a year.

In most jurisdictions, Simsmetal's activities as a receiver, distributor and processor of secondary materials requires the approval of the local environmental authority to operate. The Company holds all necessary approvals, as well as appropriate licenses which are typically negotiated with the environmental authority and reviewed each year. The Company works co-operatively with environmental authorities at all levels to ensure that the highest achievable environmental outcomes are met.

environment

Our environmental objective is to improve the environment through the expansion and advancement of our recycling activities



board of DIRECTORS

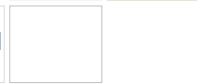
paul MAZODIER



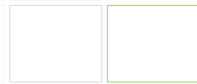
jeremy SUTCLIFFE



geoffrey BRUNSDON



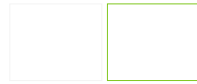
charles COPEMAN



ross CUNNINGHAM



michael FEENEY



Paul Mazoudier BA, LLB (Hons)

(age 60) - Chairman - 14,082 shares

Chairman of the Company since 1999 and Non-executive Director since 1991. Chairman Board Environmental, Occupational Health & Safety Committee and Board Remuneration Committee. Ex officio member Board Audit & Compliance Committee. Formerly an executive director of Sims Consolidated (1974-79) and former partner and NSW Chairman of Minter Ellison, lawyers. Director and Chairman of Ambition Group Limited, Bishop Technology Group Limited and Atlas Copco Australia Pty Limited and a director of AMP Limited and HPAL Limited.

Jeremy Sutcliffe LLB (Hons)

(age 45) - Group Chief Executive - 343,798 options

Director since 1 March 2002. Member Board Environmental, Occupational Health & Safety Committee and Board Finance & Investment Committee. Ex officio member Board Audit & Compliance Committee and Board Remuneration Committee. Board member of the Ferrous Division of the Bureau of International Recycling. Held various senior executive positions since 1991 including Chief Executive UK before assuming the position of Group Chief Executive on 1 March 2002. Director of other Simsmetal Limited subsidiaries and associated companies.

Geoffrey Brunson B.Com

(age 44) - 3,250 shares

Non-executive Director since 1999. Member Board Audit & Compliance Committee and Chairman Board Finance & Investment Committee. Director of ING Australia Holdings Limited, ING Management Limited, ING Bank (Australia) Limited and Chairman of Wenona Foundation Limited. Principal Winstar Partnership Limited. He is a Chartered Accountant and an Associate of the Securities Institute of Australia.

Charles Copeman AM B.Eng (Mining)

(age 72) - 7,791 shares

Non-executive Director since 1991. Member Board Environmental, Occupational Health & Safety Committee. From 1982 to 1988, was Chief Executive and director of the Peko Wallsend Group which included the Simsmetal companies. Director of Mosaic Oil N.L.

Ross Cunningham B.Sc. (Metallurgy), MBA

(age 57) - 250,000 options

Director since 1984. Member Board Audit & Compliance Committee and Board Finance & Investment Committee. Fellow of the Australian Institute of Company Directors and Member of the Financial Executives Institute of Australia. Joined the Company in 1967 and has held various line and support management positions in Australia and South East Asia including the positions of General Manager NSW and General Manager Finance & Administration. Director of other Simsmetal Limited subsidiaries and associated companies.

Michael Feeney B. Com (Marketing)

(age 56) - 25,504 shares

Non-executive Director since 1991. Chairman Board Audit & Compliance Committee and Board Remuneration Committee. Formerly Finance and Strategy Director for Philip Morris, Executive Director Strategy and Corporate Affairs for Elders IXL and Executive Director Corporate Strategy of Elders Resources NZFP. Principal Collins Associates Limited. Director of Ausdoc Group Limited, Freightways Express Limited and Feltex Carpets Limited.

John Crabb retired as Managing Director and Chief Executive Officer on 28 February 2002.

corporate GOVERNANCE

overview

The board of directors is responsible for protecting the rights and interests of the shareholders through the implementation of sound strategies and action plans and the development of an integrated framework of controls over the consolidated entity's resources, functions and assets including compliance with regulatory regimes such as the Trade Practices Act. The Company's main corporate governance practices in place during the financial year are summarised below.

board of directors and its committees

The board is responsible for the overall corporate governance of the consolidated entity including the appointment, termination and performance appraisal of the Group Chief Executive, the establishment of the strategic direction of the group, setting goals for management, monitoring the achievement of these goals and adherence to appropriate ethical standards.

The board has established four board committees to assist in the execution of board responsibilities, namely, a Remuneration Committee, an Audit & Compliance Committee, an Environmental, Occupational Health & Safety Committee and a Finance & Investment Committee.

The board, through its regular meetings, maintains a framework for the management and review of the consolidated entity including such matters as internal control, business risk management and board performance.

composition of the board

The composition of the board is determined using the following principles:

- The board shall comprise a minimum of six directors. This number may be increased where additional expertise is appropriate.
- The Chairman of the board shall be a non-executive director.
- The board shall comprise a majority of non-executive directors.
- The board shall comprise directors with a broad range of expertise.
- At any meeting where there is equal representation of executive and non-executive directors, the non-executive Chairman shall have the casting vote.

The composition of the board is reviewed by the board from time to time to ensure that the board has the appropriate mix of expertise and experience. If a new director is to be appointed, then the board appoints the most suitable candidate who must stand for re-election at the next annual general meeting of shareholders. Directors are subject to re-election by rotation every three years.

The board has an ongoing program of visiting principal operating sites of the group each year.

remuneration committee

The role of the Remuneration Committee, which is composed of only non-executive directors, is to review and make recommendations to the board on remuneration packages and policies applicable to the executive directors and senior executives. This role also includes responsibility for employee share and option plan allocations, incentive performance packages, succession planning and directors' and officers' indemnity and liability insurance policies. Employee shares, options and other forms of incentive, are considered to be remuneration and are valued as such in employees' remuneration packages.

audit & compliance ("audit") committee

The Remuneration Committee comprises a minimum of two non-executive directors, currently Messrs. P K Mazoudier (Chairman) and J M Feeney. Other directors may be invited to the Remuneration Committee meetings as required to discuss management performance and remuneration packages.

The Remuneration Committee meets at least once per annum and otherwise as required.

The principal role of the Audit Committee is to assist the board in ensuring, on a continuing basis, the maintenance of a satisfactory level of internal controls throughout the group and the fulfilment of its prudential and legal responsibilities under the Company's Constitution, the Australian Stock Exchange ("ASX") Listing Rules, the Corporations Act and other relevant regulations.

The Audit Committee is composed of a majority of non-executive directors with a minimum of three members of the board, elected by the board and chaired by a non-executive director who is not the chairman of the board. Current members of the Audit Committee are Messrs J M Feeney (Chairman), G N Brunson and R B Cunningham. The non-executive directors who are not members of the Audit Committee are invited to attend Audit Committee meetings, as is the Group Chief Executive.

The Audit Committee operates under a charter which addresses the key responsibilities, accountabilities and entitlements of the Audit Committee. A copy of the charter is available for inspection by shareholders. The Audit Committee reviews the performance of the internal and external auditors and meets with them to discuss matters of relevance, including reviewing all audit reports resulting from the internal and external audit function. The internal audit function is under the control of a General Manager Audit & Compliance who reports quarterly to the Audit Committee. The primary reporting line for the Company's auditors is to the Chairman of the Audit Committee. The external auditor has in place a rotation of audit partners.

Independently of management, the Chairman of the Audit Committee discusses with the auditor twice a year the half-yearly and annual accounts. The Audit Committee reviews all quarterly announcements with management, and half-yearly and annual announcements with management and the external auditor, prior to their submission to the Board for approval and release.

The Audit Committee has the authority, under its charter, to conduct or authorise investigations into any matter within its scope of responsibility and retain external professional advisers and consultants to assist in the conduct of any investigation, should such action be deemed necessary.

The Audit Committee monitors non audit work carried out by the external auditor.

All acquisitions and other major capital expenditure are subjected to a post completion audit by the internal auditor who reports on such audits to the Audit Committee.

environmental, occupational health & safety ("eohs") committee

The principal role of the EOHS Committee is to assist the board in ensuring, on a continuing basis, the group's compliance with its moral and legal EOHS responsibilities in all jurisdictions in which the group operates.

The EOHS Committee consists of a minimum of three members of the board, elected by the board, and chaired by a non-executive director. Current board members of the EOHS Committee are Messrs P K Mazoudier (Chairman), A C Copeman and J L Sutcliffe.

The EOHS Committee meets at least four times each year to review the performance of the group in relation to its EOHS responsibilities and other matters of relevance. Senior group management with responsibilities for the EOHS functions attend such meetings.

corporate GOVERNANCE

finance & investment ("f&i") committee

The role of the F&I Committee is to review, advise and report to the board on financial and capital management matters pertinent to the Company. The F&I Committee also reviews broad investment policies and guidelines for the group and makes recommendations to the board.

The F&I Committee consists of a minimum of three members of the board, elected by the board, and chaired by a non-executive director. Current members of the F&I Committee are Messrs G N Brunson (Chairman), J L Sutcliffe and R B Cunningham.

business risks

The board regularly monitors the operational and financial performance of the Company and consolidated entity against budget and other key performance measures. The board also reviews and receives advice on areas of operational and financial risks. Appropriate risk management strategies are developed to mitigate all identified risks of the business.

trading in company securities

All directors and senior executives of the Company and its subsidiaries are restricted from trading in the Company's securities outside of approved time periods. Clearance may be sought from the Chairman for trading outside the approved time periods.

the role of shareholders

The board aims to ensure that shareholders are informed of all major developments affecting the group's state of affairs. The board makes quarterly announcements of group financial results to the ASX and media outlets. Shareholders may access all Company announcements on the Company's website at www.simsmetal.com.au.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the group's strategies and goals.

directors' REPORT

directors' report for the year ended 30 June 2002

Your directors present their report on the consolidated entity consisting of Simsmetal Limited and the entities it controlled at the end of, or during, the year ended 30 June 2002.

the directors

The persons who were directors of Simsmetal Limited (the Company) during the whole of the financial year and up to the date of this report are detailed on page 17 of this annual report.

principal activities of the consolidated entity

Details of the principal activities of the consolidated entity during the year are addressed in the Group Chief Executive's Report and in the notes to the financial statements.

trading results

The consolidated net profit of the consolidated entity for the year was \$48.525 million.

dividends

The fiscal 2001 fully franked final dividend of 17 cents per ordinary share referred to in the directors' report dated 20 August 2001 was paid on 12 October 2001. A fully franked interim dividend of 17 cents per ordinary share for fiscal 2002 was paid on 12 April 2002 and a fully franked final dividend of 19 cents per share will be paid on 11 October 2002.

state of affairs

The directors are not aware of any significant change in the state of affairs of the Company during the financial year other than as set out in the Group Chief Executive's Report.

subsequent events

The directors are not aware of any matter or circumstance that has arisen since the end of the financial year which will significantly affect or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

likely developments

Information as to the likely developments in the operations of the consolidated entity are set out in the Group Chief Executive's Report.

environmental regulation

The Simsmetal group has licences and consents in place at each of its operating sites as prescribed by environmental laws and regulations that apply in each respective location. More specific details on environmental practices are set out on page 15 of this annual report.

directors and their interests and benefits

The names of the directors of the Company in office at the date of this report together with their qualifications and experience and relevant interest in the share capital of the Company or of a related body corporate, are set out on page 17 of this annual report.

directors' REPORT

directors' meetings

The number of directors' meetings and meetings of committees of directors held during the financial year and the number of meetings attended by each director were:

	Board of Directors	Audit & Compliance Committee	EOHS # Committee	Remuneration Committee	Finance & Investment Committee
Meetings Held	13	6	5	4	2
Paul Mazoudier *	13	4	5	4	
Geoffrey Brunson	13	6			2
John Crabb **	9	5	3	2	1
Jeremy Sutcliffe ** †	4	1	2	2	1
Charles Copeman	13		5		
Ross Cunningham	13	6			2
Michael Feeney	13	6		4	

* Mr Mazoudier is an ex officio member Board Audit & Compliance Committee.

** Mr Crabb resigned as a director on 28 February 2002 and Mr Sutcliffe was appointed a director on 1 March 2002.

† Mr Sutcliffe is an ex officio member Board Audit & Compliance Committee and Board Remuneration Committee.

Environmental, Occupational Health & Safety.

The Remuneration Committee, consisting of two non-executive directors, advises the board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for the executive directors and other senior executives.

Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits. Executives are also eligible to participate in the Simsmetal Limited Group Employee Share and Option Plans, the grants of which have been suspended. No shares or options were issued during or since the end of the financial year under either the Employee Share or Option Plans. Mr Sutcliffe, the Group Chief Executive, has his own incentive plan. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the group's diverse operations.

Non-executive directors receive an annual fee for their services as determined by the board within the maximum amount approved by the shareholders from time to time. Non-executive directors do not receive additional fees for serving on board committees. On retirement, the directors receive a payment based on their years of service. The amount provided for these retirement benefits at the end of the financial year amounted to \$1,219,000. Remuneration of directors and their terms of office are governed by Simsmetal's constitution and not by contract.

Details of the nature and amount of each element of the emoluments of each director of Simsmetal Limited and the 5 Other Executives of Simsmetal Limited and the consolidated entity receiving the highest emoluments are set out in the following tables.

Non-executive Directors of Simsmetal Limited

Name	Base Fee AS	Superannuation AS	Total AS
P K Mazoudier Chairman	135,000	10,800	145,800
G N Brunsdon	63,000	5,040	68,040
A C Copeman	63,000	-	63,000
J M Feeney	63,000	5,040	68,040

Executive Directors of Simsmetal Limited

Name	Base Salary AS	Bonus AS	Superannuation & other benefits AS	Interest Share Loan AS	Total AS
J Crabb - former Managing Director & CEO (till 28/2/02)	430,055	-	1,552,002*	37,350	2,019,407
J L Sutcliffe - Group Chief Executive (from 1/3/02)	442,062	249,866	126,684	19,637	838,249
R B Cunningham - Executive Director Group Finance & Strategy	373,354	228,401	123,005	23,192	747,952

* Includes retirement payment, Long Service Leave, Annual Leave payments and Superannuation contributions

Other Executives of Simsmetal Limited and the Consolidated Entity

Name	Base Salary AS	Bonus AS	Pension/ Superannuation & other benefits AS	Interest Share Loan AS	Total AS
C R Jansen - President - USA	684,853	179,180	140,861	19,637	1,024,531
D R McGree - Group Executive General Manager - Australasia	288,427	101,796	97,947	14,871	503,041
W T Bird - Managing Director - Metals Recycling UK	250,221	75,068	99,715	1,464	426,468
G Davy - Managing Director - Sims Recycling Services - Europe & North America	250,221	75,068	55,616	-	380,905
R R Brown - General Manager - NZ	211,194	89,042	69,510	6,000	375,746

" Other Executives " are those officers involved in setting the strategic direction of the Company and its controlled entities.

Information on options issued as part of the remuneration of the Executive Directors of Simsmetal Limited and of the Other Executives of the Company and the consolidated entity receiving the highest emoluments, are set out in the following section of this report.

share options granted to directors and other executives

193,798 options were issued on 28 February 2002 to Mr Sutcliffe on his appointment as Group Chief Executive of the Company and pursuant to his incentive plan. The number of options granted was determined by dividing an amount equal to 50% of the base remuneration of Mr Sutcliffe by the option value as at the date of the grant. The option value was determined by reference to the so-called Black-Scholes option pricing model. Factors taken into account by that model include the exercise price, the term of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The options granted to Mr Sutcliffe are subject to vesting under a performance hurdle formula based on the total shareholder return of the Company as measured against an S&P/ASX200 related "peer" group of companies at certain specified times in the future.

No options were issued during or since the end of the financial year to any of the other directors or Other Executives of the Company and the consolidated entity referred to above.

directors' REPORT

shares under option

Unissued ordinary shares of Simsmetal Limited under option pursuant to the Simsmetal Limited Group Employee Option Plan and Mr Sutcliffe's incentive plan at the date of this report are as follows:

Number	Issue Price of Shares AS	Expiry Date
930,000	8.29	27 April 2003
1,065,000	6.54	1 September 2003
250,000	6.46	16 November 2003
200,000	6.39	30 November 2004
90,000	5.86	31 July 2005
193,798	6.75	28 March 2007

Other than the 193,798 options expiring 28 March 2007, the above options are exercisable at any time prior to the expiry date. The 193,798 options expiring 28 March 2007 are exercisable (subject to meeting certain vesting pre-conditions) at any time from 28 February 2005 until the expiry date. No option holder has any right under the options to participate in any other share issue of the Company or of any other entity. 70,000 ordinary shares of Simsmetal Limited were issued during the financial year and up to the date of this report, as a result of the exercise of options issued under the Simsmetal Limited Group Employee Option Plan.

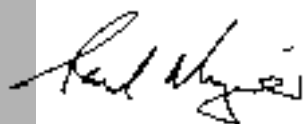
indemnification and insurance of officers

During the year, the Company paid a premium of \$66,000 in respect of a contract insuring all directors and executive officers 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 as such disclosure is prohibited under the terms of the contract.

rounding of amounts to nearest thousand dollars

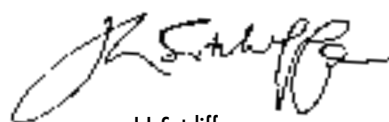
The amounts in the financial report, where appropriate and unless otherwise stated, have been rounded off to the nearest thousand dollars in accordance with ASIC Class Order 98/0100.

For and on behalf of the board:



P K Mazoudier
Chairman

Sydney 22 August 2002



J L Sutcliffe
Group Chief Executive