SIMS GROUP

05

ANNUAL REPORT

CONTENTS

Financial summary

for the year ending 30th June

	2005 (A$'000s)	2004 (A$'000s)	% change
Total Operating Revenue	2,570,202	1,879,465	37%
Profit Before Interest and Tax	280,086	168,408	66%
Net Interest Expense	(5,366)	(1,846)	191%
Tax Expense	(86,856)	(54,059)	61%
Operating Profit after Tax	187,864	112,503	67%
Net Cash Flows from Operations	192,807	91,247	111%
Earnings per Share - basic	206.3c	122.6c	68%
Dividends per Share	160.0c	86.0c	86%
Return on Shareholders' Equity	35.1%	25.1%	40%
Current Ratio	1.8:1	1.6:1	13%
Net Debt	(52,938)	(17,943)	195%
Net Tangible Asset Backing per Share	$4.62	$3.97	16%

Corporate Goal

Sims Group's corporate goal is to grow its core metal recycling business internationally while also developing an innovative recycling solutions business.

Sims Group Limited ABN 37 008 634 526

Chairman's & Chief Executive's REVIEW

2005 was an exceptional year for Sims Group in many ways.

Firstly, we are pleased to report our sixth successive year of improved Earnings with after tax profit of $188 million, 67% up on last year's then record profit. Sales revenue was $2.57 billion, up 37%, EBITDA was $321 million, up 56% and EBIT was $282 million, up 61%. The result was achieved through handling 5.5 million tonnes of material, up 8% on the previous year.

Secondly, in June we announced the proposed merger of Sims Group with the recycling operations of Hugo Neu Corporation. Shareholders voted overwhelming in favour of this merger at an EGM in September, and the merger should have been completed by the time of the Company's Annual General Meeting in November. We will talk more about the merger later in this Review.

Thirdly, the Company progressed its strategy of developing a global Recycling Solutions Division through the acquisition of Europe's largest e-recycling business, the Mirec Group, in October 2004. This acquisition made a significant contribution to the 800% increase in the division's EBIT year on year.

Returning to the result, our record Earnings were a reflection of continued high metal prices throughout the year (particularly in the first half), coupled with strong ferrous volume growth and the achievement of record production levels. As in previous years, this record result was in no small part due to the significant effort made by our people in the management of margin during sometimes volatile trading conditions. Once again all our global businesses delivered record results, with our North American and Australian operations the standout performers. North America's EBIT improved by an impressive 77% to US$73 million while Australia's EBIT increased 62% to A$116 million. The UK's full year EBIT also significantly increased by 49% to £25 million. EBIT was again well balanced throughout the Group's global operations with 46% attributable to the Australasian operations, 35% to the North American operations and 22% to the United Kingdom operations (before Group overheads of 3%).

The Group increased net operating and investment cash flows by $92 million to $78 million resulting in a modest Net Debt/(Net Debt + Equity) position at year end of 9%. This was despite net capital expenditure of $60 million and net business acquisition costs of $57 million, and increases in working capital of $42 million.

Earnings per share at 206.3¢ were up 68% enabling the directors to declare a final dividend of 70¢ which, together with a special dividend of 20¢, both 60% franked, gave shareholders a record fiscal 2005 total dividend of 160 cents (57% franked), up 86% on the previous then record year.

The Board and the Company's management maintained their commitment to improving the Group's safety performance and were pleased to see this commitment result in a further improvement in our safety performance with a reduction in our global lost time injury frequency rate from 8 in 2004 to 5 in 2005 and total lost time injuries falling from 34 to 26. We are continually endeavouring to improve further on our health and safety performance.

The Board also remained committed to ensuring that Sims Group continues to maintain the highest level of corporate governance and compliance. A summary of the Company's corporate governance practices can be found later in this report. Focus on environmental best practices remained a high priority throughout our global operations.

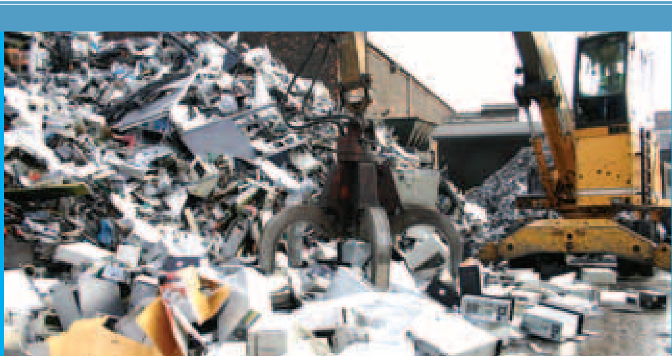
The Board continued to support the enhancement of the Group's human resources development through a series of targeted programmes and other initiatives. The importance of our employees and the contribution they made to the Group's success cannot be understated and the Board would like to extend its congratulations to all personnel worldwide for their efforts in helping to achieve this year's record result.

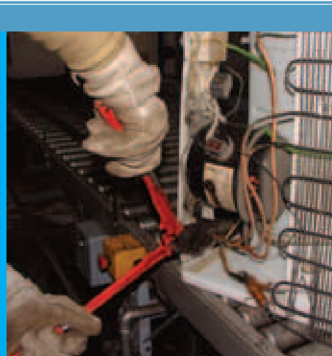
HUGO NEU MERGER

The merger with Hugo Neu was a culmination of nearly three years negotiations and several delays while Hugo Neu sought to unravel its existing joint venture arrangements. A key component of Sims Group's stated corporate goal has been to grow its core Metal Recycling Division internationally (while also developing an innovative recycling solutions business). Over a number of years, with experience gained from numerous international acquisitions, strict acquisition criteria have been established. These criteria require that any acquisition target holds the number one or two market positions where it operates, delivers access to domestic and international customers, offers a sound platform for future growth and, above all else, enhances shareholder value.

The merger with Hugo Neu satisfies all of these criteria. It will create a new ASX listed company, Sims Co Limited (to be renamed Sims Group Limited) in which existing Sims Group shareholders will own 74.0% of the new shares and Hugo Neu Corporation will own the remaining 26.0% of the new shares. The Chairman of Hugo Neu Corporation, Mr John Neu, and Mr Paul Varello (a US resident nominated by Hugo Neu Corporation) will join the new Board of Directors. The current Board attaches great weight to the confidence Mr Neu is showing in Sims Group by his decision to accept equity as consideration for Hugo Neu's recycling business interests.

The Board is very excited by the opportunities that lie ahead as a result of this transaction.

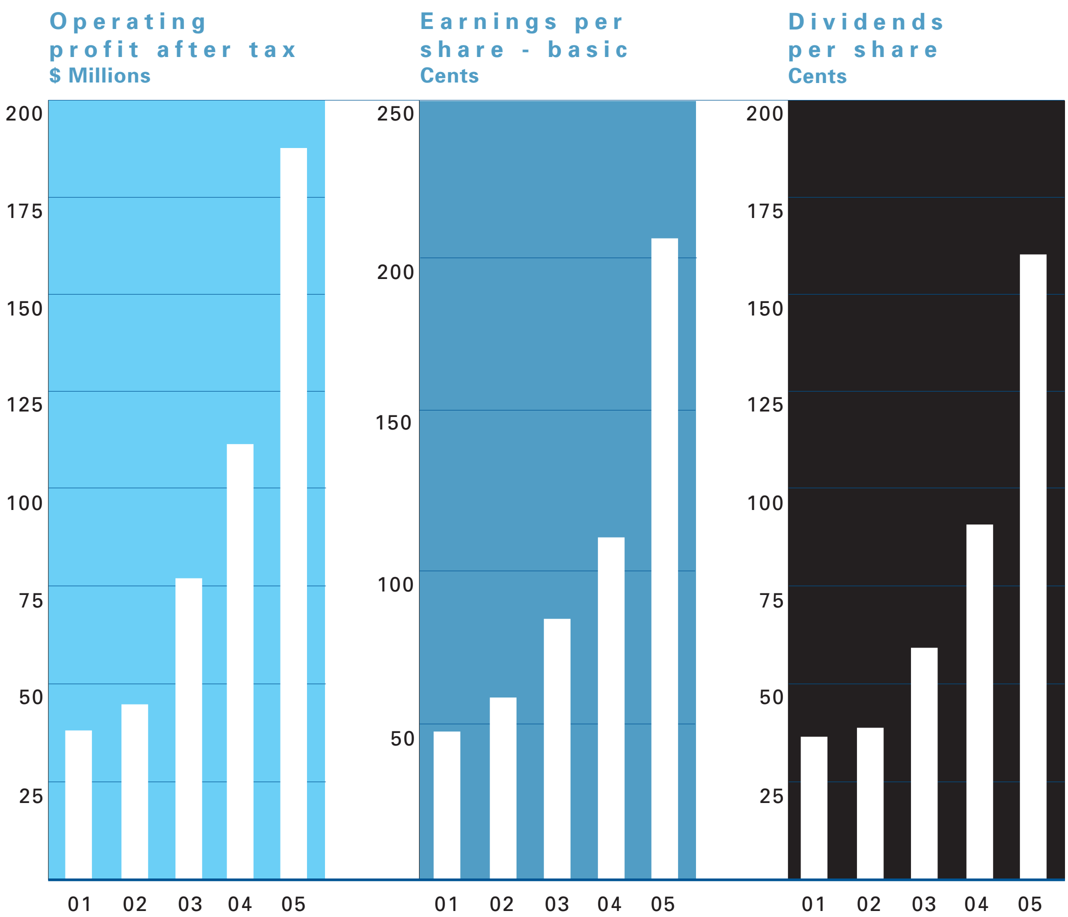


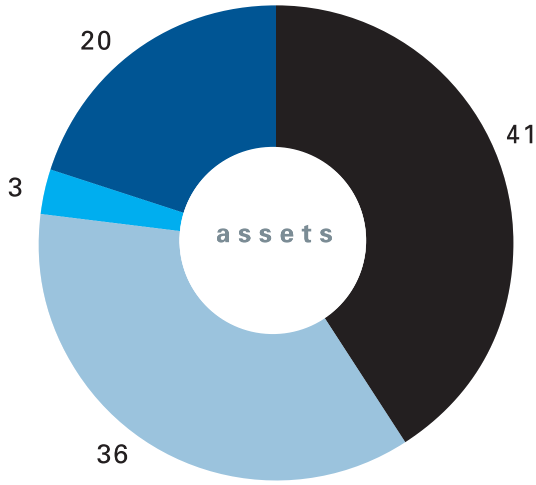


During the due diligence process, the Chairman of the Finance & Investment Committee of the Board visited the major operations of Hugo Neu and it is the intention of the full Board to pay a similar visit in early calendar 2006. The Board has enjoyed extensive exposure to the executive management of the Company during the year, but did not visit any overseas operations given the time commitments of the Executive Directors arising from the Hugo Neu merger.

In addition to the metal recycling assets being acquired, we are also very excited by the prospect of the new company, post merger, entering into a 20 year contract with the City of New York to handle its kerbside post consumer recyclables. This contract fits perfectly with Sims Group's existing Recycling Solution Division which, as mentioned above, made significant headway during the year. In addition to the acquisition of the Mirec Group, Sims Group's two fridge plants in the UK enjoyed strong throughput and our e-recycling business continued to position itself favourably for the introduction of the EU WEEE Directive. Research and development into CRT and plastics recycling also made great strides.

TyreCycle, Australia's largest collector and processor of used vehicle tyres, completed its first full year as part of the Group. Also in Australia, Sims Group launched the country's first comprehensive IT and electronics recycling business, in association with Collex Pty Ltd. The Group's US e-recycling business also continued to grow.



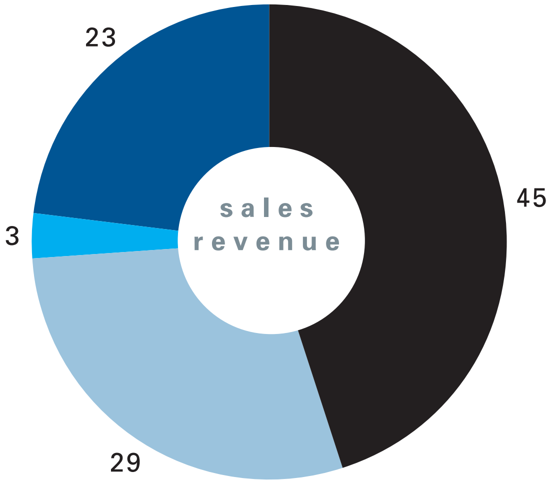


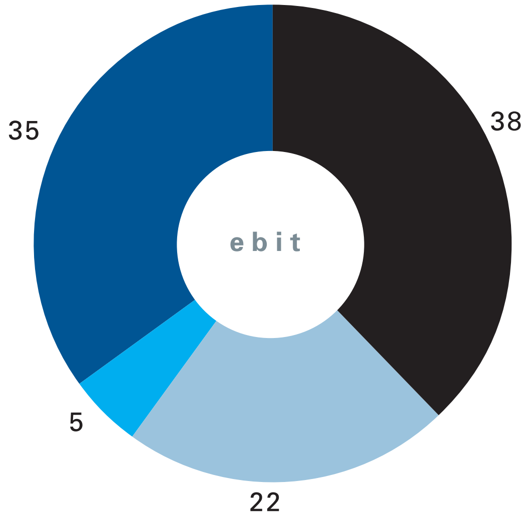
AUSTRALIA

NORTH AMERICA

NEW ZEALAND

UNITED KINGDOM

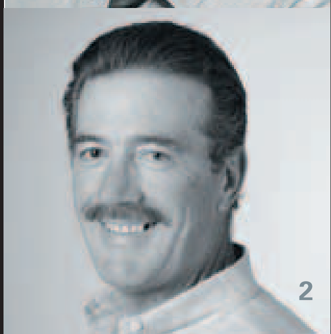




4 | Tom Bird
Managing Director, Metals Recycling, Sims Group UK

5 | Kumar Radhakrishnan
General Manager, Sims International

6 | John Falzon
Managing Director, Landfill Management Services



1 | Graham Davy
Managing Director, Sims Recycling Solutions, Europe & North America

2 | Rick Jansen
President, North America

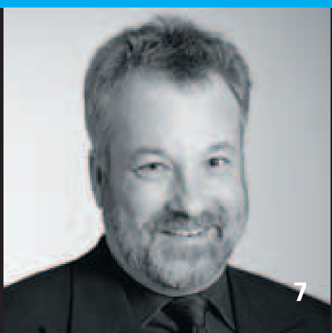
3 | Darron McGree
Group Executive
General Manager Australasia

OUTLOOK

As the Company announced in August, the Group anticipates earnings in the first quarter of fiscal 2006 to be approximately $30 million, but also announced that this should not be taken as guidance for the Company's full fiscal 2006 Earnings. Continued ferrous price volatility renders full-year forecasting extremely difficult as any material movement up or down in global ferrous prices will significantly impact Earnings. Recent history suggests that we may continue to experience price swings of some magnitude. Nonetheless, if ferrous prices were to remain in the current range, 2006 would see a strong performance for the Group, following on from fiscal 2005's exceptional results.

Paul Mazoudier
Chairman

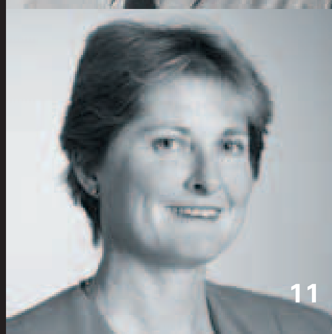
Jeremy Sutcliffe
Group Chief Executive



7 | Peter Netchaef
General Manager, Recycling Solutions, Australia

8 | Doug Mclean
General Manager, Manufacturing

9 | Frank Moratti
Company Secretary & Legal Counsel



10 | Rodney Brown
General Manager, Sims Pacific Metals

11 | Stacey Bryce
Group General Manager Human Resources

CEO Questions & ANSWERS

Q. Obviously the big news this year has been the Hugo Neu Merger announcement?

A. Yes, without doubt. As our shareholders would know, we have been patiently waiting now for a number of years to consummate the right metal recycling deal. The Hugo Neu Merger proposal, which was announced on 24 June 2005, will transform the Company, creating the world's leading metal recycling organisation. It is entirely consistent with the Company's strategy to grow its core metal recycling business internationally, while also developing an innovative recycling solutions division. The merger meets all of our strict acquisition criteria and also significantly strengthens Sims Group's expansion of its non-metallic recycling platform. Not only that, but as the bulk of the consideration is equity, it leaves the Group in a strong financial position and well-positioned to pursue further growth opportunities.

We are anticipating closing the deal by the end of October 2005. I would like to thank all my fellow Board members and executive team who have worked tirelessly on this matter throughout the year – it has been a tremendous accomplishment.

Q. It was another record year for Sims Group. Did you expect it to be this good?

A. Markets were reasonably soft at the start of the year but rebounded rapidly resulting in a bumper first half performance. This created the platform for our sixth successive year of improved earnings and a 67% improvement on last year's then record profit. Softening and more volatile ferrous prices in the second half were partly offset by lower freight rates, and we managed to successfully maximise commercial benefits through our trading strategy.

Q. So, how pleasing was the Group's operational performance?

A. I was very satisfied with the Group's operating performance, with a strong performance from all our global operations, and Group EBIT return on funds employed at 48%. We achieved record volumes and shredder production, with overall sales tonnes up 11%, shredded production and sales tonnes up 17%, other processed ferrous sales tonnes up 13% and non ferrous sales tonnes up 5%. Total tonnes handled exceeded 5.5 million. The successful integration and operations of the Bay Bridge business in Virginia, North America was particularly pleasing.

Q. What role did Sims Group's employees play in the record result?

A. Yet again, our employees around the world made a fantastic contribution to the record result and should be extremely proud of their achievements. There was a significant increase in volumes and our trading and margins were well controlled. Operationally, we achieved record shredder production yet again. Ongoing training in key areas, as well as management development programs, has become a feature of our human resources program. A high priority is the nurturing of trainees and new graduates currently in the Company's trainee program.

Q. Sims Group's safety record continues to improve. Can you comment on this?

A. Once again we did see a further improvement in our safety performance, with a reduction in our global lost time injury frequency rate from 8 to 5 and total lost time injuries falling from 34 to 26. In order to maintain the favourable trend we have seen over the past few years we continually look at new ways to improve employee awareness and improve our systems and working environments.

Q. Did the Recycling Solutions Division get where you wanted it to in 2005?

A. Yes it did. The Group's major acquisition completed during the year was of the Mirec Group of companies in Europe. This acquisition established Sims as a leading participant in electronic and electrical equipment recycling within Europe. The Mirec business, which is headquartered in Eindhoven, Holland, operates throughout the Benelux countries, Sweden and the United Kingdom. Mirec recycles and recovers a wide range of electrical, electronic and IT equipment and operates dedicated plants for the recycling of cathode ray tubes from TV and computer monitors. The integration of this business has been largely completed and new growth opportunities flowing from the acquisition continue to emerge.

During the year, we also launched, in partnership with Collex Pty Ltd, Australia's first comprehensive computer and electronics recycling initiative. Sims Tyrecycle, Australia's largest collector and processor of used vehicle tyres, completed its first full year as part of the Group.

So all in all it was a very busy and exciting year for the Recycling Solutions division.

Q. And the Recycling Solutions Division now appears to be making a more meaningful contribution to Group Earnings?

A. Yes, it is. The Division achieved significant volume growth and an 800% increase in EBIT year on year. At 6% of Group EBIT the Division is still relatively small, but the rate of growth enjoyed and the opportunities in this exciting sector leaves us confident that the Division will continue to grow into a material profit contributor.

Q. Finally, what is your outlook for the year ahead?

A. As the Chairman and I remarked in the Review of the year, there seems little end to the volatility in ferrous metal prices. So, Earnings are hard to predict other than to say the strength of ferrous prices throughout the year will be the most influential factor. While price volatility is a challenge for management and is difficult for investors to follow, rest assured we will continue to run the business effectively in whatever market conditions we face.

SIMS I GROUP
At a glance

SIMS I METAL

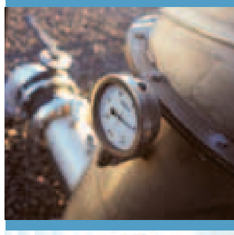
Sims Metal is one of the largest global metal recyclers with operations in Australasia, the UK and North America. As a buyer, processor and supplier of all grades of secondary ferrous and non ferrous metals, Sims Metal provides its customers around the world with a stable and reliable source of quality raw materials.

SIMS I MANUFACTURING

Sims Manufacturing consists of Sims' secondary aluminium and plastics recycling operations in Australia as well as its commodities trading operations. It also includes Sims' interests in Australian Refined Alloys, Australia's only significant secondary lead producer.

SIMS I ALUMINIUM

Part of Sims Manufacturing, Sims Aluminium is Australia's largest producer of specification grade aluminium alloy, primarily for the Australasian automotive industry. It also provides a number of innovative recycling solutions, including the recovery of aluminium and salt from salt slag, a by-product of aluminium production, and the supply of molten aluminium alloy to the domestic die-casting industry.



SIMS I ENERGY

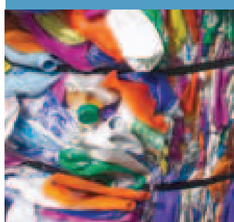
Sims Energy comprises Sims' equity interest in LMS, a specialist renewable energy company that continues to research, install and develop landfill gas systems, renewable energy and power generation technologies.

SIMS I INTERNATIONAL

Sims International handles the international trading and brokerage of ferrous units and non ferrous metals on behalf of Sims Group. Supported by an international trading network and representative offices in China, Malaysia, Vietnam and India, Sims International services customers around the world.

SIMS I STEEL

Sims Steel is the steel distribution arm of Sims Group in Australia. Sims Steel sells a wide range of steel products, including pipe, RHS, plate, structurals, merchant bar and construction materials, to a broad range of customers.



SIMS I PLASTICS

Part of Sims Manufacturing, Sims Plastics recycles high value plastic polymers including post consumer plastics, plastics from the automotive industry and environmentally sensitive plastics such as agricultural sheeting.

SIMS I INDUSTRIAL

Sims Industrial is the global industrial services division of Sims Group and provides industrial services, including charge blending, furnace loading and stockpile management services to electric arc steel plants and other clients.

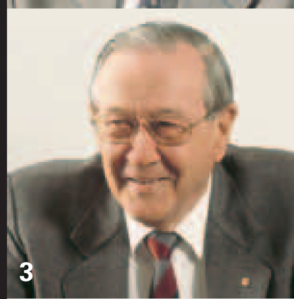
SIMS I RECYCLING SOLUTIONS

Sims Recycling Solutions is the division of Sims Group created specifically to provide environmentally responsible solutions to the disposal of post consumer products in response to increasing social and political pressures. It offers fee for service business opportunities in the environmentally responsible recycling of negative value materials including refrigerators, electrical and electronic equipment, and tyres.

1 I Paul Mazoudier BA, LLB (Hons) **(age 63) - Chairman - 14,082 shares**
Chairman of the Company since 1999 and independent non-executive director since 1991. Chairman Environmental, Occupational Health & Safety Committee, Remuneration Committee and Nomination Committee. Ex officio member Audit & Compliance Committee. Formerly an executive director of Sims Consolidated (1974-79) and former partner and NSW Chairman of Minter Ellison, lawyers. Director of HPAL Limited (since 2000). In the last 3 years was a director and chairman of Ambition Group Limited (from 1999 to 2003) and director of AMP Limited (from 2000 to 2003).

2 I Jeremy Sutcliffe LLB (Hons) **(age 48) - Group Chief Executive - 100,517 shares**
Director since 1 March 2002. Member Environmental, Occupational Health & Safety Committee, Finance & Investment Committee, Nomination Committee, Disclosure Committee and Remuneration Committee. Board member of the Ferrous Division of the Bureau of International Recycling, member of the Business Council of Australia and the Australian Institute of Company Directors. Joined the Company in 1990 and has held various senior executive positions in the Company including Chief Executive UK before assuming the position of Group Chief Executive on 1 March 2002. Director of other Sims Group Limited subsidiaries and associated companies.

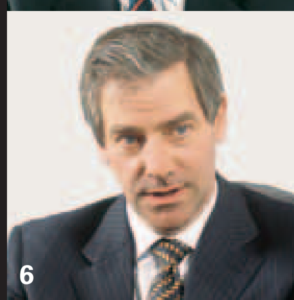
3 I Charles Copeman AM B.Eng (Mining) **(age 75) - 7,791 shares**
Independent non-executive director since 1991. Member Environmental, Occupational Health & Safety Committee and Audit & Compliance Committee. From 1982 to 1988, he was Chief Executive and director of the Peko Wallsend Group which included the Sims Group Limited companies. Director of Mosaic Oil NL (since 1989).



4 I Ross Cunningham B.Sc. (Metallurgy), MBA **(age 60) - 11,879 shares**
Director since 1984. Member Finance & Investment Committee and Disclosure 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 senior positions in Australia and South East Asia including General Manager NSW and General Manager Finance & Administration. Is currently Executive Director Group Finance and Strategy. Director of other Sims Group Limited subsidiaries and associated companies.

5 I Michael Feeney B. Com (Marketing) **(age 59) - 25,504 shares**
Independent non-executive director since 1991. Chairman Audit & Compliance Committee. Member Remuneration Committee and Nomination 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 Partners Corporate Advisory. Director of Feltex Carpets Limited (since 2001). In the last 3 years was a director of Ausdoc Group Limited (from 1992 to 2002).

6 I Geoffrey Brunsdon B.Com **(age 47) - 3,250 shares**
Independent non-executive director since 1999. Chairman Finance & Investment Committee. Head of Investment Banking, Merrill Lynch Australia. He is a Chartered Accountant, an Associate of the Securities Institute of Australia and a Fellow of the Australian Institute of Company Directors. Chairman of ING Private Equity Access Limited (since 2004). In the last 3 years was a director of ING Management Limited (from 2000 to 2005).



Ten year trend SUMMARY

(A$'000s)	**2005**	2004	2003	2002	2001	2000	1999	1998	1997	1996
Total Operating Revenue	**2,570,202**	1,879,465	1,609,512	1,422,934	1,358,487	1,090,095	990,626	1,394,273	1,145,121	1,202,190
Profit Before Interest and Tax after Abnormal Item	**280,086**	168,408	114,177	76,644	68,012	48,602	4,863	70,690	57,636	72,634
Net Interest (Expense)/ Revenue	**(5,366)**	(1,846)	(2,199)	(5,436)	(10,954)	(7,080)	(5,982)	(5,725)	(2,305)	202
Tax Expense	**(86,856)**	(54,059)	(36,936)	(22,649)	(16,193)	(15,367)	(5,276)	(22,490)	(20,443)	(26,580)
Operating Profit after Tax	**187,864**	112,503	75,042	48,559	40,865	26,155	(6,395)	42,475	34,888	46,256
Net Cash Flows from Operations	**192,807**	91,247	128,507	103,211	97,124	16,489	46,875	68,719	16,739	68,819
Earnings per Share - basic	**206.3¢**	122.6¢	82.2¢	54.0¢	46.6¢	30.4¢	(7.6¢)	51.9¢	44.7¢	60.3¢
Dividends per Share	**160.0¢**	86.0¢	54.0¢	36.0¢	32.0¢	25.0¢	20.0¢	36.0¢	30.0¢	42.0¢
Return on Shareholders' Equity	**35.1%**	25.1%	18.9%	14.3%	13.3%	9.4%	(2.5%)	15.3%	15.1%	22.9%
Current Ratio (to 1)	**1.8**	1.6	1.8	1.8	1.8	1.7	1.6	1.8	1.5	1.7
Net Debt to Funds Employed (to 1)	**0.10**	0.04	(0.22)	0.06	0.24	0.34	0.13	0.25	0.14	(0.03)
Net Tangible Asset Backing per Share	**$4.62**	$3.97	$3.57	$2.83	$2.45	$2.11	$2.48	$2.60	$2.57	$2.40

FINANCIAL REPORT

DIRECTORS' REPORT

for the year ended 30 June 2005

Your directors present their report on the consolidated entity consisting of Sims Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2005.

DIRECTORS AND THEIR INTERESTS

The names of the directors of Sims Group Limited ("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 11 of this annual report.

COMPANY SECRETARIES

The Group company secretary is Mr FM Moratti B.Com, LLB, MBA (Executive). Mr Moratti was appointed to the position of company secretary in 1997. Before joining the Company he held positions of assistant company secretary/legal counsel in a number of publicly listed companies over a period of some 12 years and prior to that worked as a solicitor with a major legal practice. Mr BK Knox ACA is an additional secretary of the Company and has held that position since his appointment in 1989. He first joined Sims Group in 1979 and has worked in various administrative head office roles since that time.

PRINCIPAL ACTIVITIES OF THE CONSOLIDATED ENTITY

Details of the principal activities of the consolidated entity during the year are addressed in the Chairman's and Group Chief Executive's Report on pages 2 to 7 of this annual report and in the notes to the financial statements.

TRADING RESULTS

The consolidated net profit of the consolidated entity for the year was $187.9 million.

DIVIDENDS

The financial 2004 year partly franked (48%) final dividend of 40 cents per share and partly franked (48%) special dividend of 20 cents per share referred to in the directors' report dated 23 August 2004 were paid on 8 October 2004. A partly franked (54%) interim dividend of 70 cents per ordinary share for the financial 2005 year was paid on 8 April 2005 and a partly franked (60%) final dividend of 70 cents per share and a partly franked (60%) special dividend of 20 cents per share will each be paid on 23 September 2005.

STATE OF AFFAIRS

Other than as set out following, 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 Chairman's and Group Chief Executive's Report on pages 2 to 7 of this annual report.

Hugo Neu Merger

On 24 June 2005, Sims Group announced a proposal to merge with substantially all of the metal recycling operations of Hugo Neu, a US recycler ("Merger"). The Merger, if approved by Sims Group shareholders at a Scheme Meeting and Extraordinary General Meeting of the Company both to be held on 8 September 2005, will create a new company, New Sims Group, to be listed on ASX and called 'Sims Group Limited.' If the Merger is successfully completed, existing Sims Group shareholders will own 74% of the shares in New Sims Group and Hugo Neu will own the remaining 26% of the shares in New Sims Group. Full details on the Merger are contained in an Explanatory Booklet dated 2 August 2005 ("Explanatory Booklet"), a copy of which was lodged with the Australian Stock Exchange Limited on 8 August 2005 and subsequently mailed to all shareholders.

DIRECTORS' REPORT (continued)

for the year ended 30 June 2005

SUBSEQUENT EVENTS

Other than as set out following, 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.

Consolidated Extrusions (Conex) Joint Venture

On 21 July 2005, it was announced that Conex, a manufacturer of copper alloy extrusions in which the Company has a one-third joint venture interest with Crane Group Limited would be closed. The closure, a consequence of increasingly difficult conditions in the market in which Conex competes, in particular a diminishing Australian market and strong import competition, will be staged over a 6 month period and is expected to be finalised by December 2005. A write-down of $2.043 million has been reflected in the 30 June 2005 accounts to restate assets to their estimated recoverable amounts.

LIKELY DEVELOPMENTS

Information as to the likely developments in the operations of the consolidated entity is set out in the Chairman's and Group Chief Executive's Report on pages 2 to 7 of this annual report.

ENVIRONMENTAL REGULATION

The Company 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. Adherence to internationally recognised standard ISO 9000 is considered an operational minimum, with operations moving progressively towards ISO 14000, the highest such standard in the world.

Environmental management is an integral part of management objectives and is directly related to operational as well as individual performance. Formal reporting links to responsible head office personnel, supported by regular environmental audits, management and capital plans forms a fully integrated management matrix. The board Environmental OH & S sub-committee meets quarterly and provides monitoring as well as leadership on environmental improvements, management initiatives and capital allocations.

The Company is an active participant in major government waste management/reduction initiatives and is a prominent member of organisations such as the Australian Industry Group, Australian Council of Recyclers, Australian Tyre Recyclers Association, Bureau of International Recycling in Brussels and the Institute of Scrap Recycling Industries in the USA.

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	Disclosure Committee	Nomination Committee
Meetings Held	9	6	4	5	8	3	3
Paul Mazoudier *	9	6	4	5			3
Geoffrey Brunsdon	9	5			8		
Jeremy Sutcliffe	9		3	4	8	3	3
Charles Copeman	9	6	4				
Ross Cunningham	9				8	3	
Michael Feeney	9	6		5			3

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

\# *Environmental, Occupational Health & Safety.*

DIRECTORS' REPORT (continued)

for the year ended 30 June 2005

INDEMNIFICATION AND INSURANCE OF OFFICERS

During the year, the Company paid a premium of $91,474 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.

SHARE OPTIONS GRANTED TO DIRECTORS AND RELEVANT GROUP EXECUTIVES

No options were issued during or since the end of the financial year to any of the directors or relevant group executives of the Company and the consolidated entity referred to below.

SHARES UNDER OPTION

There were no unissued ordinary shares of Sims Group Limited under option at the date of this report. 193,798 ordinary shares of Sims Group Limited were issued during the period since the end of the financial year and up to the date of this report as a result of the exercise by of options issued to the Group Chief Executive Mr Sutcliffe pursuant to his incentive plan with the Company.

NON-AUDIT SERVICES

The Company may decide to employ the auditor (PricewaterhouseCoopers) on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out in note 3 to the financial statements.

The board of directors has considered the position and, in accordance with advice received from the board Audit & Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 3 to the financial statements, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the board Audit & Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 81 of this annual report.

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

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

REMUNERATION REPORT
(i) Remuneration of directors and executives
Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and is competitive when compared to market. Sims Group remuneration arrangements are reviewed by the Remuneration Committee of the Sims Group Board. The Board ensures that executive reward satisfies the following key criteria for good governance practices:

(a) competitiveness and reasonableness
(b) acceptability to shareholders
(c) performance linkage / alignment of executive compensation
(d) transparency
(e) capital management.

In consultation with external remuneration consultants, the Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

(a) has economic profit as a core component of plan design
(b) focuses on sustained growth in share price and delivering an appropriate return on assets as well as focusing the executive on key non-financial drivers of value
(c) attracts and retains high calibre executives.

Alignment to program participants' interests:

(a) rewards capability and experience
(b) reflects competitive reward for contribution to shareholder growth
(c) provides a clear structure for earning rewards
(d) provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority within the group, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

The aggregate level of executive reward takes into account the performance of the consolidated entity over a number of years, with greater emphasis given to the current and prior year. Over the past 5 years, the consolidated entity's profit from ordinary activities after income tax has grown at approximately 49% per annum on average. Shareholder wealth (excluding the effect, which was not considered material, of the Company's buy back of shares in the financial 2004 year) has grown at approximately 30% per annum on average during the past 5 years. The aggregated average remuneration (excluding 'abnormal' payments) of the Chief Executive Officer, the Executive Director Group Finance and Strategy, and the country heads of Australia, United Kingdom and the United States, has grown at approximately 10% per annum on average during the past 5 years.

DIRECTORS' REPORT (continued)

for the year ended 30 June 2005

Non-executive directors

The remuneration of non-executive directors is determined by the Board, acting on recommendations made by the Remuneration Committee. The Committee considers, amongst other things, publicly available information in respect of the level of fees that are paid to directors of other comparable publicly listed companies. Non-executive directors receive an annual fee paid monthly for their services within the maximum amount approved by the shareholders from time to time. Non-executive directors do not receive additional fees for serving on established Board committees. On retirement, the current non-executive directors receive a payment based on their years of service. The amount provided in the financial statements for these retirement benefits at the end of the financial 2005 year amounted to $1,749,944 (2004 - $1,533,000). On 13 June 2003, the Board resolved to grandfather the operation of this scheme for existing directors and to not allow new directors to join the scheme. Remuneration of non-executive directors and their terms of office are governed by the Company's constitution and not by contract.

Executives

The Remuneration Committee, consisting of two independent non-executive directors and the Group Chief Executive, 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.

Remuneration

Remuneration packages are benchmarked to external market data to ensure competitiveness and are set at levels intended to attract and retain executives capable of managing the consolidated entity's diverse global operations and achieving the Company's strategic objectives. Executives are paid a base level of remuneration as salary which is paid monthly. Remuneration packages also generally include superannuation, fringe benefits and short and long-term performance-related incentives.

The Company's remuneration policies are designed to align the pay of executives with the interests of shareholders by including short and long-term performance-related incentives. Most senior executives are eligible to participate in such incentive programs.

Executive remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice.

Remuneration and other terms of employment for the Group Chief Executive and two other senior executives are formalised in service agreements.

Termination and redundancy agreements are also formalised for the executive directors and four other senior executives and provide for the payment of benefits in the event of termination by the Company.

Short-term Incentives

Under the Company's short-term incentive ("STI") plan, participating executives (which include the executive directors) ("STI Participants") may receive a cash bonus payment annually ("STI Bonus"), based upon meeting two criteria. The first criterion is the PBIT return on monthly average controlled capital employed ("ROCCE") of the STI Participants' business unit or the consolidated entity. The Remuneration Committee determines annually the minimum percentage ROCCE which the STI Participants' business unit or the consolidated entity must achieve in the following year before an STI Participant is eligible to receive a bonus based on this criterion.

The second criterion is the STI Participant achieving certain specified personal priorities which are relevant to meeting the Company's business objectives. An STI Participant will only be eligible to receive that portion of his or her STI Bonus linked to meeting his or her personal priorities if the consolidated entity achieves its cost of capital in a particular financial year. An STI Participant will not be eligible to receive any form of STI Bonus if he or she does not obtain at least an average "achieve" rating in his or her personal priorities for that particular financial year.

In respect of the financial 2005 year, the Group Chief Executive can earn up to 70% of his base remuneration package as an STI Bonus split, as to 50% maximum, based on the ROCCE of the consolidated entity, and as to 20% maximum, based on his meeting personal priorities. The Executive Director Group Finance and Strategy can earn up to 60% of his base remuneration package as an STI Bonus split, as to 48% maximum, based on the ROCCE of the consolidated entity, and as to 12% maximum, based on his meeting personal priorities.

Long-term Incentives

Under the Company's long-term incentive plan ("LTI Plan"), which was introduced at the commencement of the financial 2003 year, participating executives (which include the executive directors) ("LTI Participants") are eligible to receive a reward ("Reward") if the average annual growth in the diluted earnings per share of the Company ("EPS Growth") over a rolling 3 year period (progressively increasing to a rolling 5 year period) ("Performance Period") is between 5% and 10% per annum compound. The Reward is pro-rated between 50% reward on achieving 5% EPS Growth up to 100% reward on achieving 10% EPS Growth. There is no Reward if less than 5% EPS Growth is achieved. The Reward under the LTI Plan is calculated based on a pre-determined percentage, depending on the seniority of the LTI Participant, of the LTI Participant's base remuneration package (as defined in the LTI Plan). In respect of the financial 2006 year, Mr Sutcliffe and Mr Cunningham can each earn up to 50% of their base remuneration package as an LTI Reward (50% and 40% respectively in respect of the 2005 financial year). During the initial 3 year Performance Period (1 July 2002 - 30 June 2005) the average EPS compound growth per annum has exceeded 10%. As a result, senior executives participating in the LTI Plan will receive (during the 2006 financial year) the maximum Reward by way of a cash payment in respect of that initial 3 year Performance Period.

In 2004, the Board of Sims Group considered it appropriate to re-introduce a share based LTI Plan to allow invited Sims Group executives to be issued with shares. Consequently, the Sims Group Limited Executive Long Term Incentive Plan ("LTI Share Plan") was approved by Sims Group Shareholders at the Company's annual general meeting held in November 2004. Shares will be offered under the LTI Share Plan from the commencement of the financial 2006 year.

Employee Share and Option Plans

Grants of shares and options pursuant to the former Sims Group Limited Employee Share and Option Plans were suspended during the financial 2003 year, and replaced by the LTI Plan. Mr Sutcliffe, the Group Chief Executive, has his own incentive plan and the issue of options pursuant to it were also suspended, by mutual agreement, during the financial 2003 year, and replaced by the LTI Plan. 193,798 options with an issue price of A$6.75 and an expiry date of 28 March 2007 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 options granted to Mr Sutcliffe vested (after satisfying 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) and became exercisable from 28 February 2005. Mr Sutcliffe was also entitled to 40,014 "phantom options" with the same terms and conditions as the 193,798 options expiring 28 March 2007. The "phantom options" entitled Mr Sutcliffe to receive from the Company, a cash payment which would deliver the same after tax profit as would have been delivered by the exercise and contemporaneous sale of the "real options" granted. During the financial 2005 year, Mr Sutcliffe was paid an amount of $669,194 in respect thereto. The aggregate value of the options and the "phantom options" granted to Mr Sutcliffe was $325,000 at the date of issue.

DIRECTORS' REPORT (continued)

for the year ended 30 June 2005

(ii) Relevant Group Executives (other than directors)

The Corporations Act 2001 requires the disclosure of the prescribed details in relation to the remuneration of each of the five named highest paid company executives and, if consolidated financial statements are required, each of the five named highest paid relevant group executives. The following persons were the five highest paid Company and relevant group executives in that they are senior managers (that is, they make, or participate in making, decisions that affect the whole, or a substantial part, of the business of the Company or they have the capacity to affect significantly the Company's financial standing) of corporations within the consolidated entity:

Name	Position	Employer
CR Jansen	President - North America and Asia Pacific	Sims Group USA Corporation
DR McGree	Group Executive General Manager - Australia	Simsmetal Services Pty Limited
WT Bird	Managing Director - Metals Recycling - UK	Sims Group UK Holdings Limited
G Davy	Managing Director - Sims Recycling Solutions - Europe & North America	Sims Group UK Holdings Limited
RR Brown	General Manager - NZ	Simsmetal Industries Limited

All of the above persons were also relevant group executives (or specified executives, as they were then defined) during the financial 2004 year.

(iii) Details of Remuneration

Details of the nature and amount of each element of the emoluments of each director of Sims Group Limited and the other relevant group executives of Sims Group Limited and the consolidated entity (also receiving the highest emoluments) are set out in the following tables.

Directors of Sims Group Limited

2005	Primary					Post employment		Equity	
		Accruals							
Name	Cash salary or fees	STI Bonus	LTI Bonus	Special Bonus (see sub par (vi) below)	Annual & Long Service Leave	Pension / Super-annuation	Retirement Benefits	Share Options	Total
	A$	A$	A$	A$	A$	A$	A$	A$	A$
Non-executive Directors									
PK Mazoudier	183,573	-	-	-	-	16,522	95,937	-	296,032
GN Brunsdon	84,345	-	-	-	-	7,591	35,347	-	127,283
AC Copeman	84,345	-	-	-	-	-	42,818	-	127,163
JM Feeney	84,345	-	-	-	-	7,591	42,818	-	134,754
Executive Directors									
JL Sutcliffe	739,130	595,000	*975,658	500,000	19,528	110,870	-	67,345	3,007,531
RB Cunningham	502,599	354,332	190,056	100,000	58,858	87,955	-	-	1,293,800
	1,678,337	949,332	1,165,714	600,000	78,386	230,529	216,920	67,345	4,986,563

* Includes amount of $669,194 paid during the year to Mr Sutcliffe in respect of his "Phantom Options" (see sub par (i) above).

DIRECTORS' REPORT (continued)

for the year ended 30 June 2005

2004	Primary				Post employment		Equity	Total
		Accruals						
Name	Cash salary or fees	STI Bonus	LTI Bonus	Annual & Long Service Leave	Pension / Superannuation	Retirement Benefits	Share Options	
	A$	A$	A$	A$	A$	A$	A$	A$
Non-executive Directors								
PK Mazoudier	166,400	-	-	-	14,976	77,030	-	258,406
GN Brunsdon	78,000	-	-	-	7,020	27,600	-	112,620
AC Copeman	78,000	-	-	-	-	34,200	-	112,200
JM Feeney	78,000	-	-	-	7,020	34,200	-	119,220
Executive Directors								
JL Sutcliffe	651,130	524,160	492,936	73,601	97,670	-	81,250	1,920,747
RB Cunningham	483,269	337,978	325,518	41,744	84,571	-	-	1,273,080
	1,534,799	862,138	818,454	115,345	211,257	173,030	81,250	3,796,273

Relevant Group Executives of Sims Group Limited and of the consolidated entity

2005	Primary					Post employment		Equity	
		Accruals							
Name	Cash salary or fees	STI Bonus	LTI Bonus	Special Bonus (see sub par (vi) below)	Annual & Long Service Leave	Pension / Super-annuation	Retirement Benefits	Share Options	Total
	A$	A$	A$	A$	A$	A$	A$	A$	A$
CR Jansen	453,805	244,388	109,217	250,000	34,723	75,495	-	-	1,167,628
DR McGree	400,769	230,274	90,604	-	64,650	70,135	-	-	856,432
WT Bird	337,700	189,998	66,868	-	-	50,845	-	-	645,411
G Davy	337,700	191,359	66,868	-	-	50,845	-	-	646,772
RR Brown	263,051	72,635	37,303	-	5,566	46,034	-	-	424,589
	1,793,025	928,654	370,860	250,000	104,939	293,354	-	-	3,740,832

2004	Primary				Post employment		Equity	Total
		Accruals						
Name	Cash salary or fees	STI Bonus	LTI Bonus	Annual & Long Service Leave	Pension / Superannuation	Retirement Benefits	Share Options	
	A$	A$	A$	A$	A$	A$	A$	A$
CR Jansen	628,052	535,724	180,571	48,646	63,036	-	-	1,456,029
DR McGree	385,358	197,871	152,185	38,868	67,437	-	-	841,719
WT Bird	323,152	136,955	126,346	-	48,345	-	-	634,798
G Davy	323,152	136,678	126,346	-	48,345	-	-	634,521
RR Brown	252,934	44,580	62,566	15,843	44,263	-	-	420,186
	1,912,648	1,051,808	648,014	103,357	271,426	-	-	3,987,253

Cash bonuses and options

Subject to the comments in sub paragraph (vi) below, for each cash bonus and grant of options included in the above tables, 100% of the available bonus or grant was paid (or will be paid in the financial 2006 year), or vested, in the financial year, and no percentage was forfeited because the person did not meet service and performance criteria relevant to that person as set out in this Remuneration Report.

The percentage of the value of remuneration consisting of options held by Mr Sutcliffe, based on the value as detailed in the above schedule, was 2.2%.

(iv) Service Agreements

Remuneration and other terms of employment for the Group Chief Executive, the Managing Director-Metals Recycling-UK and the Managing Director-Sims Recycling Solutions-Europe & North America are formalised in employment agreements.

JL Sutcliffe, Group Chief Executive

Employment agreement dated 28 February 2002. No overall term specified. Mr Sutcliffe's remuneration is reviewed annually by the Remuneration Committee. Current termination benefits payable on termination by the employer, other than for serious misconduct or other specified events, are equal to the total of 18 months total remuneration and 1.5 times the bonus (if any) paid under the STI Plan in the full financial year prior to the notice of termination. Mr Sutcliffe is also entitled to a retention payment equivalent to 6 months total annual remuneration if he remains in the employ of the Company 6 months after a takeover of the Company (or if he is terminated within 6 months of such a takeover).

Subject to completion of the Merger, Mr Sutcliffe will enter into a new five year employment contract with a minimum three year commitment. A summary of this contract is set out in Section 10.7.4 of the Explanatory Booklet.

WT Bird, Managing Director-Metals Recycling-UK

Employment agreement dated 4 July 2003. No term specified. Remuneration is reviewed annually by the Remuneration Committee. Mr Bird is entitled to the payment of a termination benefit on termination by the employer, other than for gross misconduct, equal to 12 months total remuneration. In the event of redundancy, he is entitled to the payment of a benefit equal to a minimum of 6 months and a maximum of 18 months remuneration depending upon years of service.

G Davy, Managing Director-Sims Recycling Solutions-Europe & North America

Historical employment agreement. No term specified. Remuneration is reviewed annually by the Remuneration Committee. Mr Davy is entitled to the payment of a termination benefit on termination by the employer, other than for gross misconduct, equal to 6 months salary. In the event of redundancy, he is entitled to the payment of a benefit according to years of service and age of employee at date of redundancy (subject to a maximum payment equal to 21.5 months salary).

DIRECTORS' REPORT (continued)

for the year ended 30 June 2005

(v) Termination and Redundancy Agreements

Termination and redundancy agreements exist for RB Cunningham - Executive Director Group Finance and Strategy, CR Jansen - President - North America and Asia Pacific and DR McGree - Group Executive General Manager - Australia. The amounts that would be payable to each of these employees are determined as follows:

Payment of termination benefit on termination by the employer, other than for fraud or gross misconduct, equal to 12 months total annual remuneration. Each is also entitled to a retention payment equivalent to 6 months total annual remuneration if he remains in the employ of the Company 6 months after a takeover of the Company (or if he is terminated within 6 months of such a takeover). In the event of redundancy, each is entitled to a payment of a benefit equal to a minimum of 6 months and a maximum of 18 months total annual remuneration depending upon years of service at the time of being made redundant.

(vi) Transactions with directors and relevant group executives

The Sims Group Board has resolved that, subject to the successful completion of the Merger, Sims Group shall pay Messrs Sutcliffe and Cunningham a cash bonus of A$500,000 and A$100,000 respectively, and Mr Jansen a relocation cash bonus of A$250,000. In addition, Sims Group has entered into an agreement with Mr Sutcliffe subject to the completion of the Merger. Full details of this agreement are contained in section 10.7.4 of the Explanatory Booklet. For their work in connection with the Merger, Mr GN Brunsdon and Mr JM Feeney, Sims Group non-executive directors, have received, since the end of the financial year, additional remuneration from Sims Group of A$40,000 and A$15,000 respectively.

For and on behalf of the board:

P K Mazoudier
Chairman
Sydney 26 August 2005

J L Sutcliffe
Group Chief Executive

CORPORATE GOVERNANCE

STATEMENT

The board of the Company considers that, as at 30 June 2005, the Company was in compliance in all material respects with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (March 2003) (the "ASX Recommendations").

There are 10 key principles of corporate governance set out in the ASX Recommendations. Those principles, and the Company's response to them, are as follows:

PRINCIPLE 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Company has adopted a Board Charter which formalises the functions reserved to the board and those delegated to management. A copy of this document is available for viewing by visiting the home page of the Company's website at www.sims-group.com, clicking on 'Governance' and then 'Board Charter'.

PRINCIPLE 2. STRUCTURE THE BOARD TO ADD VALUE

The board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive director (ie not be a member of management) and:

- not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years not been employed in an executive capacity by the Company or a controlled entity, or been a director after ceasing to hold any such employment;
- within the last three years not been a principal of a material professional adviser or a material consultant to the Company or a controlled entity, or an employee materially associated with the service provided;
- not been a material supplier or customer of the Company or a controlled entity, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- must have no material contractual relationship with the Company or a controlled entity other than as a director of the Company;
- not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company;
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for the purposes of these principles is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of Sims Group or 5% of the individual director's net worth is considered material. In addition, a transaction of any amount, or a relationship, is deemed material if knowledge of it affects the shareholders' understanding of the director's performance.

Independent directors comprise a majority of the board. The Chairperson, Mr Paul Mazoudier, is an independent director. The roles of Chairperson and Group Chief Executive are not exercised by the same individual. Details of the members of the board, their experience, expertise, qualifications, term of office and independent status are set out on page 11 of this annual report.

Directors have the right, in connection with their duties and responsibilities, to seek independent advice at the Company's expense. Prior written approval of the Chairperson is required, which will not be unreasonably withheld.

CORPORATE GOVERNANCE

STATEMENT (continued)

The board has established a Nomination Committee. The names of Nomination Committee members and their attendance at Nomination Committee meetings are set out on page 15 of this annual report. The Nomination Committee has adopted a charter. A copy of this document is available at www.sims-group.com, clicking on 'Governance' and then 'Nomination Committee Charter'. A description of the board's procedures for the selection and appointment of new directors to the board and the Nomination Committee's policy on the appointment of directors is available at www.sims-group.com, clicking on 'Governance' and then 'New Directors'.

PRINCIPLE 3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING AND PRINCIPLE 10. RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

The Company has adopted a Code of Conduct and a policy on dealing in Sims Group securities. A copy of these documents is available at www.sims-group.com, clicking on 'Governance' and then 'Code of Conduct' and 'Securities Trading Policy' respectively.

The board has established a Finance & Investment ("F & I") Committee, which operates in accordance with its charter. The names of F & I Committee members and their attendance at F & I Committee meetings are set out on page 15 of this annual report.

PRINCIPLE 4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Group Chief Executive and the Executive Director Group Finance & Strategy have stated in writing to the board in respect of the financial year ended 30 June 2005:

- that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and

- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The board has established an Audit & Compliance ("Audit") Committee. The names of Audit Committee members, their qualifications and their attendance at Audit Committee meetings are set out on page 15 of this annual report. All members of the Audit Committee are independent non-executive directors.

The Audit Committee has adopted a charter and the Company has adopted a policy and procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners. A copy of these documents is available at www.sims-group.com, clicking on 'Governance' and then 'Audit Committee Charter' and 'External Auditors' respectively.

PRINCIPLE 5. MAKE TIMELY AND BALANCED DISCLOSURE

The Company has adopted a Market Disclosure Policy and procedures for compliance. A copy of these documents is available at www.sims-group.com, clicking on 'Governance' and then 'Market Disclosure Policy'.

The board has established a Disclosure Committee, which operates in accordance with its charter. The names of Disclosure Committee members (other than the Company Secretary) and their attendance at Disclosure Committee meetings are set out on page 15 of this annual report.

PRINCIPLE 6. RESPECT THE RIGHTS OF SHAREHOLDERS

The Company has adopted a statement on communications with shareholders. A copy of this document is available at www.sims-group.com, clicking on 'Governance' and then 'Shareholders Communication'.

CORPORATE GOVERNANCE

STATEMENT (continued)

PRINCIPLE 7. RECOGNISE AND MANAGE RISK

The Company has adopted a Risk Management Policy and a statement on internal compliance and control systems. A copy of these documents is available at www.sims-group.com, clicking on ‘Governance’ and then ‘Risk Mgt Policy & Internal Control’.

The board has established an Environmental, Occupational Health & Safety (“EOHS”) Committee, which operates in accordance with its charter. The names of EOHS Committee members and their attendance at EOHS Committee meetings are set out on page 15 of this annual report.

The directors have received and considered the annual control certification from the Group Chief Executive and the Executive Director Group Finance & Strategy in accordance with Principle 4 relating to financial risks. Due to the geographic spread of the Group’s operations and the extensive delegation of authority and responsibility granted to senior business unit management, the Group Chief Executive and the Executive Director Group Finance & Strategy, when attesting to the adequacy of the Company’s risk management and internal compliance and control system, rely significantly upon internal audit and the control certification reports received from each regional chief executive regarding compliance with the various risk management, compliance and internal control policies and procedures in the region for which each is responsible.

PRINCIPLE 8. ENCOURAGE ENHANCED PERFORMANCE

The Company has adopted a statement describing the performance evaluation process of the board, its committees, individual directors and key executives. A copy of this document is available at www.sims-group.com, clicking on ‘Governance’ and then ‘Performance Evaluation Process’.

A performance evaluation of the board and its members was completed in August 2004. This process involved an assessment by each board member of the performance of the other board members and of the board collectively. The results of the performance evaluation and action plans arising therefrom were documented at a meeting of the Nomination Committee held on 23 August 2004 and considered by the board on that date.

PRINCIPLE 9. REMUNERATE FAIRLY AND RESPONSIBLY

The board has established a Remuneration Committee. The names of Remuneration Committee members and their attendance at Remuneration Committee meetings are set out on page 15 of this annual report.

The Remuneration Committee has adopted a charter. A copy of this document is available at www.sims-group.com, clicking on ‘Governance’ and then ‘Remuneration Committee Charter’.

Information on the Company’s remuneration policies and on its retirement benefits scheme for non-executive directors is set out on pages 17 to 23 of this annual report.

STATEMENTS OF FINANCIAL PERFORMANCE

for the year ended 30 June 2005

	Notes	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Revenue from ordinary activities	2	**2,570,202**	1,879,465	**1,200,210**	817,784
Expenses from ordinary activities	3(iii)	**(2,292,274)**	(1,712,722)	**(1,052,499)**	(762,861)
Borrowing costs expense	3(i)	**(5,834)**	(2,706)	**(2,852)**	(634)
Share of net profit of associates accounted for using the equity method	24	**2,626**	2,525	**-**	-
Profit from ordinary activities before income tax		**274,720**	166,562	**144,859**	54,289
Income tax expense relating to ordinary activities	4	**(86,856)**	(54,059)	**(32,069)**	(16,203)
Net profit attributable to members of Sims Group Limited	16	**187,864**	112,503	**112,790**	38,086
Net increase in asset revaluation reserve	16	**43,127**	-	**-**	-
Net exchange differences on translation of financial reports of foreign controlled entities	16	**(25,682)**	7,703	**-**	-
Total revenues, expenses and valuation adjustments attributable to members of Sims Group Limited recognised directly in equity		**17,445**	7,703	**-**	-
Total changes in equity attributable to Members of Sims Group Limited other than those resulting from transactions with owners in their capacity as owners		**205,309**	120,206	**112,790**	38,086

	Notes	**Cents**	Cents
Basic earnings per share	28	**206.3**	122.6
Diluted earnings per share	28	**206.0**	122.5

The above statements of financial performance should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2005

		CONSOLIDATED		PARENT ENTITY	
		2005	2004	**2005**	2004
	Notes	**$'000**	$'000	**$'000**	$'000
Current assets					
Cash assets	29	**46,008**	20,107	**4,210**	1,890
Receivables	5	**202,694**	182,397	**76,324**	58,535
Inventories	6	**150,956**	147,676	**73,602**	72,651
Other	9	**11,500**	8,489	**2,184**	2,012
Total current assets		**411,158**	358,669	**156,320**	135,088
Non-current assets					
Receivables	5	**5,794**	5,908	**21,831**	65,582
Investments accounted for using the equity method	7	**10,272**	7,821	**139**	139
Other financial assets	7	**-**	-	**205,327**	204,196
Property, plant and equipment	8	**337,687**	261,755	**60,366**	54,850
Deferred tax assets	9	**15,046**	13,645	**11,256**	10,114
Intangible assets	10	**99,781**	73,360	**4,516**	4,825
Total non-current assets		**468,580**	362,489	**303,435**	339,706
Total assets		**879,738**	721,158	**459,755**	474,794
Current liabilities					
Payables	11	**182,469**	179,475	**70,074**	68,929
Interest bearing liabilities	12	**-**	1,100	**-**	-
Current tax liabilities	13	**31,627**	26,924	**23,457**	14,514
Provisions	14	**15,476**	10,128	**12,346**	6,999
Total current liabilities		**229,572**	217,627	**105,877**	90,442
Non-current liabilities					
Payables	11	**-**	-	**72,984**	101,706
Interest bearing liabilities	12	**98,946**	36,950	**41,533**	36,492
Deferred tax liabilities	13	**6,127**	6,277	**3,106**	2,103
Provisions	14	**9,628**	11,736	**8,720**	10,894
Total non-current liabilities		**114,701**	54,963	**126,343**	151,195
Total liabilities		**344,273**	272,590	**232,220**	241,637
Net assets		**535,465**	448,568	**227,535**	233,157
Equity					
Parent entity interest					
Contributed equity	15	**220,665**	220,665	**220,665**	220,665
Reserves	16	**35,065**	17,620	**-**	-
Retained profits	16	**279,735**	210,283	**6,870**	12,492
Total equity		**535,465**	448,568	**227,535**	233,157

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

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2005

	Notes	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**2,682,485**	1,923,520	**1,192,469**	842,402
Payments to suppliers and employees (inclusive of goods and services tax)		**(2,400,591)**	(1,782,472)	**(1,047,060)**	(784,984)
		281,894	141,048	**145,409**	57,418
Interest received		**468**	860	**207**	788
Borrowing costs		**(5,834)**	(2,706)	**(2,852)**	(634)
Income taxes paid		**(83,721)**	(47,955)	**(22,868)**	(15,153)
Net cash inflow from operating activities	29	**192,807**	91,247	**119,896**	42,419
Cash flows from investing activities					
Payments for property, plant and equipment		**(62,502)**	(55,575)	**(28,219)**	(17,528)
Payments for other investments		**(2,027)**	(3,500)	**(2,974)**	(3,500)
Payments for controlled entities and businesses	23	**(54,694)**	(51,334)	**(157)**	(9,148)
Proceeds from sale of property, plant and equipment		**4,081**	4,369	**243**	267
Net cash outflow from investing activities		**(115,142)**	(106,040)	**(31,107)**	(29,909)
Cash flows from financing activites					
Proceeds from borrowings		**178,705**	118,951	**51,355**	43,968
Repayment of borrowings		**(112,096)**	(93,471)	**(46,314)**	(7,476)
Net loans from / (to) controlled entities		**-**	-	**26,902**	(27,562)
Proceeds from issue of shares		**-**	867	**-**	867
Payment for shares under share buy-back		**-**	(17,033)	**-**	(17,033)
Dividends paid		**(118,412)**	(52,442)	**(118,412)**	(52,442)
Net cash outflow from financing activities		**(51,803)**	(43,128)	**(86,469)**	(59,678)
Net increase / (decrease) in cash held		**25,862**	(57,921)	**2,320**	(47,168)
Cash at the beginning of the financial year		**20,107**	78,617	**1,890**	49,058
Effects of exchange rate changes on cash		**39**	(589)	**-**	-
Cash at the end of the financial year	29	**46,008**	20,107	**4,210**	1,890

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The AASB has adopted International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences to current accounting policies that are expected to arise, is set out in note 32.

Comparative information has been reclassified where necessary to ensure comparability with the current reporting period.

a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Sims Group Limited ("Company" or "parent entity") as at 30 June 2005 and the results of all controlled entities for the year then ended. Sims Group Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post acquisition profits or losses of associates is recognised in the consolidated statement of financial performance, and its share of post acquisition movements in reserves is recognised in consolidated reserves. The cumulative post acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence but not control.

b) Revaluation of non-current assets

Subsequent to initial recognition as assets, land and buildings are measured at fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. Annual assessments of the fair values are made by the directors. These are supplemented by independent assessments at least every three years.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, then the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

NOTES TO THE

FINANCIAL STATEMENTS

for the year ended 30 June 2005

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revaluation increments and decrements are offset against one another within the same class of non-current assets, but not otherwise.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallise.

Revaluations do not result in the carrying value of land or buildings exceeding their recoverable amount.

c) Foreign currency translation

Translations denominated in a foreign currency are converted at the exchange rate at the date of transaction. Foreign currency receivables and payables at balance date are translated at exchange rates at year end. Exchange gains and losses are brought to account in determining the profit or loss for the year. The consolidated entity enters into forward foreign exchange contracts and option contracts to buy and sell specified amounts of foreign currencies in the future at pre-determined exchange rates. These contracts are entered into to hedge future sale and purchase transactions. Exchange gains, losses and costs arising on forward foreign exchange and option contracts entered into as hedges of future transactions are deferred and included in the determination of the amounts at which the transactions are brought to account. The net amounts receivable or payable under the hedging transaction are also recorded in the statement of financial position. Any gains or losses arising on the hedging transaction after the recognition of the hedged purchase or sale are included in the statement of financial performance.

Assets and liabilities of self-sustaining overseas controlled entities (refer note 23) are translated at exchange rates existing at year end, while revenues and expenses are translated at the average rates ruling during the year. Any exchange gain or loss arising on translation is taken directly to a foreign currency translation reserve.

Upon disposal or partial disposal of a self-sustaining foreign operation the balance of the foreign currency translation reserve relating to the operation, or the part disposed of, is transferred to retained profits.

d) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs of finished goods and raw materials are determined on a consistent basis using the FIFO or weighted average basis. Cost comprises direct materials, direct labour and an appropriate proportion of fixed and variable overhead expenditure, the latter being allocated on the basis of normal operating capacity.

e) Depreciation of property, plant and equipment

Property, plant and equipment, other than freehold land, are depreciated over their expected useful lives, using reducing balance or straight line methods as appropriate. Leasehold improvements are written off over the period of the lease or expected useful lives, whichever is shorter.

The expected useful lives are as follows:

Buildings	25-40 years
Plant and equipment	3-14 years

Profits and losses on disposals of property, plant and equipment are taken into account in determining the profit for the year.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill at cost and is amortised on a straight line basis over the period of the expected benefit, with a maximum amortisation period of 20 years.

g) Leased non-current assets

Leases entered into by the consolidated entity under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to expense over the period of expected benefits.

h) Financial assets and liabilities

Unless otherwise stated financial assets and liabilities are carried at net fair value and settled on normal trading terms.

A provision is raised for any doubtful debts based on an ongoing review of all outstanding amounts. Bad debts are written off during the period in which they are identified.

The consolidated entity's exposure to credit risk is generally the carrying amount of financial assets net of any provision for doubtful debts.

Monetary financial assets and liabilities not traded in an organised financial market, being trade debtors, trade accounts payable, accruals and dividends payable, are valued on a cost basis (which approximates net market value).

i) Employee entitlements

The amounts expected to be paid to employees for their pro-rata entitlement to annual leave are accrued annually at expected remuneration rates. A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities. Contributions to defined benefit and other employee superannuation plans are charged as an expense as the contributions are paid or become payable.

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised with those employees affected that the terminations will be carried out. The liabilities for termination benefits, which are all expected to be settled within 12 months, are recognised in other creditors and measured at the amounts expected to be paid when they are settled.

A liability for employee benefits in the form of bonus plans is recognised in other creditors. This liability is expected to be settled within 12 months and is measured at the amount expected to be paid when it is settled.

Equity based compensation benefits were provided to employees via the Sims Group Limited Group Employee Option Plan and the Sims Group Limited Employee Share Ownership Plan. Information relating to these schemes is set out in note 21(ii). No accounting entries are made in relation to the employee option plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. Amounts lent to employees through the employee share plan are included in receivables and dividends paid on the shares are used to reduce the related loan balance.

NOTES TO THE
FINANCIAL STATEMENTS
for the year ended 30 June 2005

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Revenue recognition
Sales revenue represents revenue earned from the sale of the consolidated entity's products and services, net of returns, trade allowances and duties and taxes paid. Sales revenue is recognised when the goods have been despatched to a customer pursuant to a sales order and associated risks have passed to the carrier or customer. Fees received for recycling refrigerators are brought to account as explained in note 11.

Other revenue includes interest income on short term investments, proceeds on the disposal of property, plant and equipment and in the case of the parent entity, dividends received from controlled entities.

k) Income tax
Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at rates which are expected to apply when those timing differences reverse.

No provision has been made for additional taxes which could become payable if certain reserves of the overseas controlled entities were to be distributed as it is not expected that any substantial amount will be distributed from those reserves.

No provisions have been made for any taxes on capital gains which could arise in the event of a sale of non-current assets for the amounts at which they are stated in the financial statements as it is not expected that any such liability will arise.

Tax consolidation legislation
Sims Group Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003.

As a consequence, Sims Group Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable.

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts.

l) Joint ventures
Where the consolidated entity has entered into unincorporated joint ventures, the financial statements include the consolidated entity's proportionate interest in the assets and liabilities of those joint ventures under the relevant statements of financial position headings.

m) Cash flows
For purposes of the statements of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of Sims Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of ordinary shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

o) Dividends

Provision is only made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

p) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in the net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values using a market-determined, risk-adjusted discount rate.

q) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken, at the date of acquisition, plus incidental costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

Goodwill is brought to account on the basis described in note 1(f).

r) Receivables

All trade debtors are recognised at the amounts receivable as they are generally due for settlement no more than 90 days from the date of recognition.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

t) Interest bearing liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period in which it becomes due and is recorded as part of other creditors.

u) Derivative financial instruments

The consolidated entity enters into forward foreign exchange contracts and interest rate swap agreements.

The accounting for forward foreign exchange contracts is in accordance with note 1(c).

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in other debtors or other creditors at each reporting date.

When an interest rate swap is terminated early and the underlying hedged transactions are still expected to occur as designated, the gains or losses arising on the swap upon its early termination continue to be deferred and are progressively brought to account over the period during which the hedged transactions are recognised.

When an interest rate swap is terminated early and the underlying hedged transactions are no longer expected to occur as designated, the gains or losses arising on the swap upon its early termination are recognised in the statement of financial performance as at the date of termination.

v) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

w) Maintenance and repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing major plant cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1(e). Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

x) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000

NOTE 2. REVENUE

Revenue from operating activities				
Sale of goods	**2,565,047**	1,873,935	**1,159,693**	816,474
Revenue from outside the operating activities				
Interest	**468**	860	**207**	788
Dividends	**-**	-	**40,000**	-
Insurance claims	**518**	-	**-**	-
Proceeds from sale of property, plant and equipment	**4,081**	4,369	**243**	267
Other	**88**	301	**67**	255
	5,155	5,530	**40,517**	1,310
Revenue from ordinary activities (exluding share of equity accounted net profit of associates)	**2,570,202**	1,879,465	**1,200,210**	817,784

NOTE 3. PROFIT FROM ORDINARY ACTIVITIES

(i) Profit from ordinary activities before income tax expense includes the following specific expenses and net gains:				
Expenses				
Cost of sales	**1,698,053**	1,236,557	**860,689**	583,574
Write-down of assets in Conex joint venture to recoverable amounts				
Buildings, plant and equipment	**1,425**	4,902	**1,425**	4,902
Goodwill	**-**	1,780	**-**	1,780
Other	**618**	-	**618**	-
Amortisation of goodwill	**5,976**	3,794	**309**	250
Depreciation and amortisation:				
Buildings	**1,954**	1,519	**44**	138
Leasehold Improvements	**1,242**	744	**7**	3
Plant and Equipment	**29,588**	24,160	**9,191**	8,593
Rental expense on operating leases	**11,036**	9,077	**2,216**	2,481
Bad debts written off	**446**	61	**361**	61
Provision for:				
Employee entitlements	**8,225**	7,960	**6,065**	7,321
Doubtful debts	**1,578**	310	**54**	343
Other	**921**	941	**600**	433
Other charges against assets				
Write down of inventories to net realisable value	**3,873**	-	**1,833**	-
Defined benefit superannuation expense	**4,032**	3,203	**1,484**	1,392
Net losses on sale of property, plant and equipment	**30**	191	**18**	4
Net losses on foreign currency transactions	**17**	-	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

NOTE 3. PROFIT FROM ORDINARY ACTIVITIES (continued)

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
(i) Profit from ordinary activities before income tax expense includes the following specific expenses and net gains (continued):				
Net gains				
Net gain on foreign currency transactions	**31**	61	**31**	58
Net gain on sale of property, plant and equipment	**2,824**	1,291	**212**	124
Interest				
Interest received :				
Other corporations	**468**	860	**207**	788
	468	860	**207**	788
Interest paid :				
Other corporations	**5,834**	2,706	**2,852**	634
Net interest paid / (received)	**5,366**	1,846	**2,645**	(154)
(ii) Remuneration of auditors	**$**	**$**	**$**	**$**
Assurance Services				
1. Audit services				
Fees paid and payable to PricewaterhouseCoopers Australian Firm				
Audit and review of financial reports and other work under the Corporations Act 2001	**202,500**	170,700	**196,000**	164,500
Fees paid to related practices of PricewaterhouseCoopers Australian Firm				
Audit and review of financial reports	**381,540**	226,317	**-**	-
Total remuneration for audit services	**584,040**	397,017	**196,000**	164,500
2. Other Assurance services				
Fees paid and payable to PricewaterhouseCoopers Australian Firm				
Other audit related services	**70,000**	66,500	**70,000**	66,500
Due diligence services	**1,368,122**	-	**1,368,122**	-
Fees paid to related practices of PricewaterhouseCoopers Australian Firm				
Audit of regulatory return	**-**	6,734	**-**	-
Due diligence services	**749,202**	-	**749,202**	-
Total remuneration for other assurance services	**2,187,324**	73,234	**2,187,324**	66,500
Total remuneration for assurance services	**2,771,364**	470,251	**2,383,324**	231,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

NOTE 3. PROFIT FROM ORDINARY ACTIVITIES (continued)

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$	$	**$**	$
(ii) Remuneration of auditors (continued)				
Taxation services				
Fees paid and payable to PricewaterhouseCoopers Australian Firm				
Tax compliance services including review of company income tax returns	**67,787**	85,222	**64,490**	78,430
Tax advice on acquisitions	**7,400**	79,480	**7,400**	79,480
Tax consulting and advice	**29,550**	66,098	**29,550**	66,098
Fees paid to related practices of PricewaterhouseCoopers Australian Firm				
Tax compliance services including review of company income tax returns	**27,039**	37,261	**-**	-
Tax consulting and advice	**-**	82,633	**-**	-
Total remuneration for taxation services	**131,776**	350,694	**101,440**	224,008
Fees paid to auditors other than PricewaterhouseCoopers or its related practices				
Audit and review of the financial reports of joint ventures and other entities in the consolidated entity and other work under the Corporations Act 2001	**25,444**	15,667	**25,444**	15,667

It is Sims Group Limited's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with Sims Group Limited are important. These assignments are principally for tax advice and due diligence on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis.

	$'000	$'000	**$'000**	$'000
(iii) Expenses from ordinary activities				
Raw materials and finished goods included in cost of sales	**1,625,441**	1,180,079	**812,331**	548,039
Freight expense	**249,701**	198,779	**113,763**	81,852
Employee benefits expense	**193,240**	147,970	**82,856**	71,394
Depreciation and amortisation expense	**38,760**	30,217	**9,551**	8,984
Repairs and maintenance expense	**64,862**	49,306	**19,516**	17,292
Other expenses from ordinary activities	**120,270**	106,371	**14,482**	35,300
	2,292,274	1,712,722	**1,052,499**	762,861

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000

NOTE 4. INCOME TAX

(a) The income tax expense for the financial year differs from the amount prima facie calculated on the profit. The difference is reconciled as follows:

	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Prima facie tax expense on profit from ordinary activities at rates applicable in the countries of source	**87,228**	55,175	**43,266**	16,290
Tax effect of permanent differences				
Non deductible amortisation and depreciation	**1,436**	1,135	**125**	65
Dividend received from wholly-owned entity	**-**	-	**(12,000)**	-
Other non deductible expenditure and losses	**1,061**	768	**678**	766
Income tax adjusted for permanent differences	**89,725**	57,078	**32,069**	17,121
Utilisation of group tax losses	**(1,622)**	-	**-**	-
Over provision in prior years	**(1,247)**	(3,019)	**-**	(918)
Income tax expense	**86,856**	54,059	**32,069**	16,203

(b) The directors estimate that the potential future income tax benefit at 30 June 2005 in respect of tax losses not brought to account is:

	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
not brought to account is:	**-**	1,954	**-**	-

The benefit for the tax losses will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or

(ii) the losses are transferred to an eligible entity in the consolidated entity, and

(iii) the consolidated entity continues to comply with the conditions for deductibility imposed by UK tax legislation, and

(iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
The future income tax benefit shown in note 9 includes tax losses of:	**-**	-	**-**	-

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FINANCIAL STATEMENTS
for the year ended 30 June 2005

NOTE 4. INCOME TAX (continued)

(c) Tax consolidation legislation

Sims Group Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The accounting policy on implementation of the legislation is set out in note 1(k). The impact on the income tax expense for the year is reflected in the tax reconciliation above.

The wholly-owned entities have fully compensated Sims Group Limited for deferred tax liabilities assumed by Sims Group Limited and have been fully compensated for any deferred tax assets transferred to Sims Group Limited.

The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned entities reimburse Sims Group Limited in full for any current tax payable by Sims Group Limited arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and has therefore been recognised as a current tax-related receivable by Sims Group Limited (see note 5). The tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by Sims Group Limited.

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000

NOTE 5. RECEIVABLES

	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Current				
Trade debtors	**176,537**	167,476	**57,157**	46,999
Less: provision for doubtful debts	**(2,055)**	(651)	**(148)**	(455)
	174,482	166,825	**57,009**	46,544
Other debtors and deferred expenses	**28,212**	15,572	**19,315**	11,991
	202,694	182,397	**76,324**	58,535
Non-current				
Amounts receivable from controlled entities	**-**	-	**16,037**	59,357
Other debtors and deferred expenses	**5,794**	5,908	**5,794**	5,908
Net tax-related amounts receivable from wholly-owned entities	**-**	-	**-**	317
	5,794	5,908	**21,831**	65,582

Refer to note 4 for details about tax sharing and compensation agreements. Further information relating to related parties and directors is set out in note 26. Amounts in other debtors generally arise from transactions outside the usual operating activities of the consolidated entity. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

NOTE 6. INVENTORIES

	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Raw materials at cost or net realisable value	**61,284**	67,954	**45,384**	50,041
Stores and spare parts at cost or net realisable value	**12,706**	9,993	**4,002**	3,964
Finished goods at cost or net realisable value	**76,966**	69,729	**24,216**	18,646
	150,956	147,676	**73,602**	72,651

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for the year ended 30 June 2005

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000

NOTE 7. OTHER FINANCIAL ASSETS

Investments accounted for using the equity method				
Shares in associates (note 24)	**10,272**	7,821	**139**	139
Other (non-traded) investments				
Shares in controlled entities (note 23) at cost	**-**	-	**205,327**	204,196

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

Freehold land				
At directors' valuation	**111,057**	69,185	**1,309**	952
Buildings				
At directors' valuation	**47,367**	36,892	**1,154**	3,360
Accumulated depreciation	**-**	(5,144)	**-**	(2,512)
	47,367	31,748	**1,154**	848
Leasehold improvements				
At directors' valuation	**15,961**	9,563	**249**	132
Accumulated amortisation	**-**	(1,439)	**-**	(6)
	15,961	8,124	**249**	126
Plant and equipment				
At cost	**367,639**	355,801	**149,001**	147,965
Accumulated depreciation	**(217,230)**	(218,104)	**(98,764)**	(106,795)
	150,409	137,697	**50,237**	41,170
Capital work in progress	**12,893**	15,001	**7,417**	11,754
	337,687	261,755	**60,366**	54,850

Valuations of freehold land, buildings and leasehold improvements

The directors' valuations of land and buildings are based on the market value with existing use, which for the majority of properties have been determined by independent external valuations as at 30 June 2005. These valuations were carried out by Laing+Simmons Pty Ltd, in association with Cushman & Wakefield Inc (except in the United Kingdom, where the valuations were carried out by King Sturge LLP).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

NOTE 8. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of movements	Freehold Land $'000	Buildings $'000	Leasehold Improvements $'000	Plant & Equipment $'000	Capital Work In Progress $'000	Total $'000
Consolidated						
Carrying amount at 1 July 2004	69,185	31,748	8,124	137,697	15,001	261,755
Additions	357	2,262	6,158	38,283	14,833	61,893
Disposals	(800)	-	-	(487)	-	(1,287)
Transfers	324	4,881	3,298	8,068	(16,571)	-
Depreciation/amortisation expense (note 3(i))	-	(1,954)	(1,242)	(29,588)	-	(32,784)
Acquisition due to purchase of controlled entities and businesses	8,735	6,911	-	6,556	-	22,202
Write-off assets in a joint venture	-	-	-	(1,371)	(54)	(1,425)
Revaluation increments (note 16)	36,978	5,892	257	-	-	43,127
Foreign currency exchange differences	(3,722)	(2,373)	(634)	(8,749)	(316)	(15,794)
Carrying amount at 30 June 2005	111,057	47,367	15,961	150,409	12,893	337,687
Parent Entity						
Carrying amount at 1 July 2004	952	848	126	41,170	11,754	54,850
Additions	357	358	130	13,283	14,091	28,219
Disposals	-	-	-	(49)	-	(49)
Transfers (including transfers to controlled entities)	-	(8)	-	6,395	(18,374)	(11,987)
Depreciation/amortisation expense (note 3(i))	-	(44)	(7)	(9,191)	-	(9,242)
Write-off assets in a joint venture	-	-	-	(1,371)	(54)	(1,425)
Carrying amount at 30 June 2005	1,309	1,154	249	50,237	7,417	60,366

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
NOTE 9. OTHER ASSETS				
Current				
Prepayments	**11,500**	8,489	**2,184**	2,012
Non-current				
Future income tax benefit (note 4)	**15,046**	13,645	**11,256**	10,114

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000

NOTE 10. INTANGIBLES

Goodwill at cost	**139,976**	111,000	**5,129**	5,129
Accumulated amortisation	**(40,195)**	(37,640)	**(613)**	(304)
	99,781	73,360	**4,516**	4,825

NOTE 11. PAYABLES

Current				
Trade creditors (generally settled within 30 days)	**136,894**	131,673	**63,005**	61,132
Other creditors	**37,891**	33,311	**7,010**	7,797
Deferred income	**7,684**	14,491	**-**	-
Net tax-related amounts payable to wholly-owned entities	**-**	-	**59**	-
	182,469	179,475	**70,074**	68,929

Deferred income relates to the refrigerator recycling plants operated in the United Kingdom and to grants received from government bodies in respect of significant capital projects.

In respect of deferred income relating to the refrigerator recycling plants, refrigerators are received for recycling by the group in the UK for a fee. These fees are recognised as income as refrigerators are processed and the costs of processing the refrigerators are matched against the related fee income. Deferred income represents the fees that have been received in respect of refrigerators that have yet to be processed through the refrigerator recycling plant.

In relation to deferred income arising from grants received in the current and previous years in respect of significant capital projects, each grant is recognised as deferred income on receipt of the grant and released to the profit and loss account over the life of the assets to which each grant relates.

Non-current				
Other loans from controlled entities	**-**	-	**72,984**	101,706

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000

NOTE 12. INTEREST BEARING LIABILITIES

Current (unsecured)				
Bank loans	**-**	1,100	**-**	-
Non-current (unsecured)				
Bank loans	**98,946**	36,950	**41,533**	36,492

Unsecured bank loans are subject to guarantees/cross guarantees and indemnities (as appropriate) from the parent entity and some of its controlled entities. Further information on bank loans is set out in note 31. Details of financing arrangements are set out in note 30.

NOTE 13. TAX LIABILITIES

Current				
Income tax	**31,627**	26,924	**23,457**	14,514
Non-current				
Deferred income tax liability	**6,127**	6,277	**3,106**	2,103

NOTE 14. PROVISIONS

Current				
Employee entitlements	**14,266**	9,533	**11,612**	6,404
Other	**1,210**	595	**734**	595
	15,476	10,128	**12,346**	6,999
Non-current				
Employee entitlements	**9,207**	11,096	**8,720**	10,675
Environmental compliance	**421**	421	**-**	-
Other	**-**	219	**-**	219
	9,628	11,736	**8,720**	10,894
Provision for employee entitlements				
Current	**14,266**	9,533	**11,612**	6,404
Non-current	**9,207**	11,096	**8,720**	10,675
Aggregate employee entitlements liability	**23,473**	20,629	**20,332**	17,079
Employee numbers				
Number of employees at the end of the financial year	**2,435**	2,063	**839**	790

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

NOTE 14. PROVISIONS (continued)

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

	CURRENT		NON-CURRENT	
			Environmental	
	Dividends	Other	Compliance	Other
	$'000	$'000	$'000	$'000
Consolidated - 2005				
Carrying amount at start of year	-	595	**421**	219
Additional provisions recognised / (written back)	**118,412**	1,140	-	(219)
Reclassification	-	671	-	-
Payments	**(118,412)**	(1,196)	-	-
Carrying amount at end of year	-	1,210	**421**	-
Parent Entity - 2005				
Carrying amount at start of year	-	595	-	219
Additional provisions recognised / (written back)	**118,412**	819	-	(219)
Payments	**(118,412)**	(680)	-	-
Carrying amount at end of year	-	734	-	-

Other current provisions includes estimates of claims that will be made against Sims Group Limited in relation to stevedoring delays and material quality for ferrous exports. These claims are expected to be settled in the next financial year.

The Environmental Compliance provision is an estimate of costs of remediation of properties that may be required in the future. It is not expected to be settled in the next financial year.

Other non-current provisions relates to a provision against investments in associated entities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

NOTE 15. CONTRIBUTED EQUITY

	PARENT ENTITY			
	2005 Shares	2004 Shares	**2005 $'000**	2004 $'000
(i) Share Capital				
Ordinary shares - fully paid	**91,086,086**	91,086,086	**220,665**	220,665

Movement in ordinary share capital	**No. of shares**	**$'000**
Balance at the beginning of the financial year	91,086,086	220,665
Balance at the end of the financial year	**91,086,086**	**220,665**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Voting rights attaching to the ordinary shares are, on a show of hands, one vote for every person present as a member, proxy, attorney or representative thereof and, on a poll, one vote per share for every member present in person or by proxy, attorney or representative.

(ii) Options

No options over ordinary shares were granted during the financial year. The number of options outstanding at the end of the financial year was 193,798 (2004 - 193,798). These options have been exercised subsequent to 30 June 2005. Further details on the Sims Group Limited Group Employee Option Plans are set out in note 21(ii). Employee options carry no voting rights.

(iii) Share buy-back

In January 2002 the Company announced an on market buy-back of of up to 5% of the Company's issued capital (up to 4,509,078 ordinary shares).The time required to complete the buy-back will be of unlimited duration until the maximum number of shares has been purchased or the buy-back has been rescinded or discharged.

During the year ended 30 June 2005 there was no change in the share capital of the Company. During the year ended 30 June 2004 1,700,479 ordinary shares were purchased and cancelled at an average of $10.02 per share, with prices ranging from $9.78 to $10.20. The total cost of $17,032,705 (excluding $25,000 transaction costs paid in 2002) was deducted from shareholders' equity.

NOTE 16. RESERVES AND RETAINED PROFITS

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Reserves				
Foreign currency translation reserve	**(19,997)**	5,685	**-**	-
Asset revaluation reserve	**55,062**	11,935	**-**	-
	35,065	17,620	**-**	-
Movements in reserves were :				
Foreign currency translation reserve				
Balance at the beginning of the financial year	**5,685**	(2,018)	**-**	-
Net exchange differences on translation of financial reports of foreign controlled entities	**(25,682)**	7,703	**-**	-
Balance at the end of the financial year	**(19,997)**	5,685	**-**	-
Asset revaluation reserve				
Balance at the beginning of the financial year	**11,935**	11,935	**-**	-
Increment on revaluation of land, buildings and leasehold improvements	**43,127**	-	**-**	-
Balance at the end of the financial year	**55,062**	11,935	**-**	-

Foreign currency translation reserve
Exchange differences arising on the translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(c).

Asset revaluation reserve
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(b).

	CONSOLIDATED		PARENT ENTITY	
Retained profits				
Retained profits at the beginning of the financial year	**210,283**	150,222	**12,492**	26,848
Net profit attributable to members of Sims Group Limited	**187,864**	112,503	**112,790**	38,086
Dividends paid (note 17)	**(118,412)**	(52,442)	**(118,412)**	(52,442)
Retained profits at the end of the financial year	**279,735**	210,283	**6,870**	12,492

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000

NOTE 17. DIVIDENDS

Ordinary shares				
Final dividend for the year ended 30 June 2004 paid at 60c per share (2003 - 31c per share) franked at 48% (2003 - 68% franked) based on tax paid @ 30%	**54,652**	28,761	**54,652**	28,761
Interim dividend for the year ended 30 June 2005 paid at 70c per share (2004 - 26c per share) franked at 54% (2004 - franked at 57%) based on tax paid @ 30%	**63,760**	23,681	**63,760**	23,681
Total dividends paid	**118,412**	52,442	**118,412**	52,442
Dividends not recognised at year end				
Since year end the directors have declared the payment of a final dividend of 70c per fully paid ordinary share plus an additional special dividend of 20c per fully paid ordinary share, both franked at 60% based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 23 September 2005 out of consolidated retained profits at 30 June 2005, but not recognised as a liability at year end.			**82,329**	54,652
Franked Dividends				
The franked portion of the declared dividend recommended after 30 June 2005 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2006.				
Franking credits available for the subsequent financial year (based on tax rate of 30%)	**21,239**	17,081	**21,239**	17,081

The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of income tax payable as at the end of the financial year
(b) franking debits that arose from the payment of dividends during the financial year, and
(c) franking credits that may be prevented from being distributed in the subsequent financial year.

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000

NOTE 18. CONTINGENT LIABILITIES

Details and estimated maximum amounts of contingent liabilities (for which no amounts are recognised in the financial statements) arising in respect of:

Guarantees The parent entity, its controlled entities, its joint venture operations and its associated companies have given a number of guarantees in respect of the performance of contracts and workers compensation insurance entered into in the ordinary course of business.	**1,207**	965	**251**	500

Controlled entities

Under the terms of a Deed of Cross Guarantee entered into in accordance with ASIC Class Order 98/1418 (as amended by Class Orders 98/2107, 00/0321, 01/1087, 02/0248 and 02/1017) the parent entity has undertaken to meet any shortfall which might arise on the winding up of controlled entities which are party to the deed as described in note 23. The controlled entities are not in liquidation and there is no indication that they will be wound up.

Hugo Heu

On 24 June 2005, Sims Group announced a proposal to merge with substantially all of the metal recycling operations of Hugo Neu, a US recycler ("Merger"). The Merger, if approved by Sims Group shareholders at a Scheme Meeting and Extraordinary General Meeting of the Company both to be held on 8 September 2005, will create a new company, New Sims Group, to be listed on ASX and called 'Sims Group Limited'. If the Merger is successfully completed, existing Sims Group shareholders will own 74% of the shares in New Sims Group and Hugo Neu will own the remaining 26% of the shares in New Sims Group. Full details on the Merger are contained in an Explanatory Booklet dated 2 August 2005 ("Explanatory Booklet"), a copy of which was lodged with the Australian Stock Exchange Limited on 8 August 2005 and subsequently mailed to all shareholders.

Under the Merger Implementation deed ("Deed"), Sims Group has agreed to reimburse the HNC Parties up to a maximum of US$3m for their reasonable out-of-pocket expenses incurred since 1 November 2004 in connection with the transactions contemplated by the Deed and the Contribution Agreement, if at any time before the Scheme Meeting a majority of the Sims Group Board makes a public statement or statements withdrawing its support or recommendation of the Scheme (unless the Scheme becomes effective despite such occurrence).

Should the Merger not proceed, any costs incurred that are currently capitalised as deferred expenses in non-current receivables would be expensed in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000

NOTE 19. CAPITAL EXPENDITURE COMMITMENTS

Total capital expenditure contracted for at the balance date but not recognised in the financial statements and payable not later than one year				
- for the acquisition of plant and equipment	**2,822**	4,736	**1,560**	1,896
- for the acquisition of land and buildings	**-**	-	**-**	-
	2,822	4,736	**1,560**	1,896
Commitments included above relating to joint venture operations and associate companies				
- for the acquisition of plant and equipment	**271**	253	**-**	66
- for the acquisition of land and buildings	**-**	-	**-**	-
	271	253	**-**	66

NOTE 20. LEASE COMMITMENTS

Commitments in relation to leases contracted for at balance date but not recognised as liabilities, payable:				
Not later than one year	**21,071**	15,125	**3,366**	2,617
Later than one, but not later than five years	**54,699**	37,915	**3,599**	2,388
Later than five years	**34,806**	28,281	**914**	657
	110,576	81,321	**7,879**	5,662
Representing :				
Cancellable operating leases	**4,103**	3,001	**4,103**	2,960
Non-cancellable operating leases	**106,473**	78,320	**3,775**	2,702
	110,576	81,321	**7,878**	5,662
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Not later than one year	**18,982**	13,633	**1,277**	1,164
Later than one, but not later than five years	**52,689**	36,494	**1,589**	881
Later than five years	**34,802**	28,193	**910**	657
	106,473	78,320	**3,776**	2,702

NOTE 21. SUPERANNUATION, SHARE OWNERSHIP AND OPTION PLANS

(i) Superannuation plans

The parent entity and its controlled entities have established a number of superannuation funds on behalf of Group employees. All employees are entitled to join an appropriate superannuation fund which provides benefits for themselves, or their dependants, on retirement, disability or death. The funds provide defined benefits, based on years of service and final average salary, or accumulation benefits based on the level of contributions and earnings thereon. Employees contribute to the funds at various percentages of their remuneration.

Australian Defined Benefits Plan

The parent entity and its controlled entities are obliged to contribute to these Plans in accordance with their governing Trust Deeds and the obligations of the Plans are legally enforceable unless due notice of cessation of contribution is given.

A formal review of the financial positions of the Plans was undertaken as at 6 April 2004 concurrently with the transfer of members and assets to the BT Lifetime Super - Employer Plan ("BT Plan") - formerly Sims Consolidated Group Superannuation Fund.

An actuarial assessment of the Australian defined benefits plans within the BT Plan was last carried out on 6 April 2004 by David R Lewis, FIA, FIAA. Based on this review, the assets of these plans at 1 March 2004 of $24.306m were insufficient to satisfy all accrued and vested benefits of $24.681m in the event of a termination of the funds or voluntary or compulsory termination of the employment of each employee. Accordingly there was an actuarial deficiency of $0.375m in the BT Plan at 1 March 2004.

Following actuarial advice received in April 2003, the Company agreed with the Trustee of the Plan to make additional monthly contributions of $50,000 into that Plan from April 2003 and continue doing so until March 2005 subject to ongoing performance review. Sims Group has continued to make additional monthly contributions during fiscal 2005 and will continue to make these additional monthly contributions until the next actuarial review of the BT Plan which is to be completed as at 1 July 2006.

These additional contributions are being reflected in the Company's superannuation expense as it is paid. No liability has been recognised in the financial statements in respect of the deficiency of $0.375m determined as at 1 March 2004.

United Kingdom Defined Benefits Plan

The Group's UK operations account for pension costs and commitments in the financial statements in accordance with the United Kingdom Accounting Standard SSAP 24 "Accounting for pension costs". This accounting standard requires employers to recognise the expected cost of providing pensions on a systematic and rational basis over the period during which they derive benefit from the employees' services. This is achieved by recognising a regular cost for the pension every year. Variations from the regular cost are allocated over the expected remaining service lives of the current employees.

A full formal actuarial assessment of the United Kingdom defined benefits fund has been undertaken by the fund's actuary Sally Spencer, FIA, in respect of the funding position as at 5 April 2003. The outcome of this assessment was that the assets of the fund at 5 April 2003 were estimated to be $17.601m, and were insufficient to satisfy all accrued and vested benefits at that date under the fund in the event of termination of the fund or voluntary or compulsory termination of the employment of each employee. Vested benefits in the United Kingdom fund at 5 April 2003 were estimated to be $27.941m.

In accordance with SSAP 24 requirements, the deficiency will be funded by an estimated additional annual contribution of $1.120m by the company over the next 12 years, being the actuarial best estimate of contributions required to meet the current deficit.

NOTE 21. SUPERANNUATION, SHARE OWNERSHIP AND OPTION PLANS (continued)

(i) Superannuation plans (continued)

An informal review of the of the United Kingdom defined benefits fund has been undertaken by the company's actuarial advisers, at 6 April 2005. Using a projected roll forward model based on the fund's actuarial formal valuation at 5 April 2003, the assets of the fund of $24.396m were insufficient to satisfy all the accrued and vested benefits of $34.581m.

The next full formal valuation of the United Kingdom defined benefits fund will be undertaken by the fund actuary as at 6 April 2006.

(ii) Share ownership and option plans

The parent entity operates the Sims Group Limited Employee Share Ownership Plan ("share plan") which was established in 1991 and amended in November 1996. The share plan allows for the participation, at the discretion of the Board, of employees and executive directors of the parent entity and its controlled entities. Monies are lent, interest free, to participants to enable them to acquire shares in the parent entity which are held by the trustee of the share plan for the benefit of participants. Shares are issued to employees at the market value at the date of issue in accordance with the terms of the share plan.

At 30 June 2005 and 2004, the parent entity had loaned $Nil to participants to enable them to acquire, through the trustee of the share plan, Nil shares being Nil% of the issued capital of the parent entity.

	Number		**Shares**		**Loans $'000**	
Details of the above are as follows:	**2005**	2004	**2005**	2004	**2005**	2004
Employees	-	-	-	-	-	-

The Sims Group Limited Group Employee Option Plan ("Option Plan"), approved by shareholders on 8 November 1996, provides that executive and management staff members may be invited to participate in the option plan and be granted options over unissued ordinary shares in the parent entity. A separate incentive plan exists for Mr Sutcliffe, the Group Chief Executive ("CEO Plan"). Options are granted for nil consideration. The amount received on the exercise of options is recognised as issued capital at the date of issue of the shares.

Grants of shares and options pursuant to the Option Plan and the CEO Plan were suspended during the financial 2003 year and replaced by the LTI Plan (refer Remuneration Report).

Details as at 30 June 2005 are as follows:

Date Issued	**Exercisable From**	**Expire On**	**Exercise Price A$**	**Number Issued**	**Total Lapsed to Date**	**Total Exercised to Date**	**Balance at end of the year**
28 November 1996	28 November 1998	28 November 2001	7.14	2,015,000	2,015,000	-	-
27 April 1998	27 April 2000	27 April 2003	8.29	1,040,000	110,000	930,000	-
1 September 1998	1 September 2000	1 September 2003	6.54	1,540,000	455,000	1,085,000	-
16 November 1998	16 November 2000	16 November 2003	6.46	250,000	-	250,000	-
30 November 1999	30 November 2001	30 November 2004	6.39	280,000	30,000	250,000	-
31 July 2000	31 July 2002	31 July 2005	5.86	90,000	-	90,000	-
28 February 2002	28 February 2005	28 March 2007	6.75	193,798	-	-	193,798
				5,408,798	2,610,000	2,605,000	193,798

The balance of options remaining at the end of the year have been exercised subsequent to 30 June 2005.

NOTE 21. SUPERANNUATION, SHARE OWNERSHIP AND OPTION PLANS (continued)

(ii) Share ownership and option plans (continued)

Set out below is a summary of options granted under the Option Plan and the CEO Plan.

Consolidated and parent entity - 2005

Grant date	Expiry Date	Exercise Price	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at end of the year
28 November 1996	28 November 2001	7.14	-	-	-	-	-
27 April 1998	27 April 2003	8.29	-	-	-	-	-
1 September 1998	01 September 2003	6.54	-	-	-	-	-
16 November 1998	16 November 2003	6.46	-	-	-	-	-
30 November 1999	30 November 2004	6.39	-	-	-	-	-
31 July 2000	31 July 2005	5.86	-	-	-	-	-
28 February 2002	28 March 2007	6.75	193,798	-	-	-	193,798
			193,798	-	-	-	193,798

The balance of options remaining at the end of the year have been exercised subsequent to 30 June 2005.

Consolidated and parent entity - 2004

Grant date	Expiry Date	Exercise Price	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at end of the year
28 November 1996	28 November 2001	7.14	-	-	-	-	-
27 April 1998	27 April 2003	8.29	-	-	-	-	-
1 September 1998	01 September 2003	6.54	70,000	-	(70,000)	-	-
16 November 1998	16 November 2003	6.46	53,508	-	(53,508)	-	-
30 November 1999	30 November 2004	6.39	10,000	-	(10,000)	-	-
31 July 2000	31 July 2005	5.86	-	-	-	-	-
28 February 2002	28 March 2007	6.75	193,798	-	-	-	193,798
			327,306	-	(133,508)	-	193,798

The share price for the shares under option at 30 June 2005 was $14.84 (2004: $11.46)

Options exercised during the financial year and number of shares issued to employees on the exercise of options

		CONSOLIDATED		PARENT ENTITY	
		2005	2004	**2005**	2004
		$'000	$'000	**$'000**	$'000
Exercise price	**Fair value of shares at issue date**	**Number**	Number	**Number**	Number
6.54	10.04	-	70,000	-	70,000
6.46	10.28	-	53,508	-	53,508
6.39	11.95	-	10,000	-	10,000
		-	133,508	-	133,508

The fair value of shares issued on exercise of options is a weighted average price at which the Sims Group Limited shares were traded on the Australian Stock Exchange on the day of the exercise of options.

NOTE 21. SUPERANNUATION, SHARE OWNERSHIP AND OPTION PLANS (continued)

(ii) Share ownership and option plans (continued)

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$	$	**$**	$
Aggregate proceeds received from employees on the exercise of options and recognised as issued capital	-	867,362	-	867,362
Fair value of shares issued to employees on the exercise of options as at their issue date	-	1,372,043	-	1,372,043

NOTE 22. DIRECTORS AND EXECUTIVES DISCLOSURES

The Company has applied the exemption under Corporations Amendments Regulation 2005 which exempts listed companies from providing remuneration disclosures in relation to their specified directors and specified executives in their annual financial reports by Accounting Standard AASB 1046 'Director and Executive Disclosures by Disclosing Entities'. These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report.

(i) Equity Instrument Disclosures Relating to Directors and Executives

Options

The Sims Group Limited Group Employee Option Plan ("option plan"), approved by shareholders on 8 November 1996, provides that executive and management staff members may be invited to participate in the option plan and be granted options over unissued ordinary shares in the parent entity. A separate incentive plan exists for Mr Sutcliffe, the Group Chief Executive. Options are granted for nil consideration. The amount received on the exercise of options is recognised as issued capital at the date of issue of the shares (refer note 21(ii)).

The numbers of options over ordinary shares in Sims Group Limited held during the financial year by each director of the Company and consolidated entity or their director-related entities and each of the five specified executives of the consolidated entity are set out below.

Name	Balance at the start of the year	Options exercised	Granted as remuneration	Other changes	Balance at the end of the year	Vested, and exercisable at the end of the year
Directors						
PK Mazoudier	-	-	-	-	-	-
JL Sutcliffe	193,798	-	-	-	193,798	193,798
RB Cunningham	-	-	-	-	-	-
GN Brunsdon	-	-	-	-	-	-
AC Copeman	-	-	-	-	-	-
JM Feeney	-	-	-	-	-	-
	193,798	-	-	-	193,798	193,798

NOTE 22. DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

Name	Balance at the start of the year	Options exercised	Granted as remuneration	Other changes	Balance at the end of the year	Vested, but not exercisable at the end of the year
Specified executives						
CR Jansen	-	-	-	-	-	-
DR McGree	-	-	-	-	-	-
WT Bird	-	-	-	-	-	-
G Davy	-	-	-	-	-	-
RR Brown	-	-	-	-	-	-
	-	-	-	-	-	-

The balance of options remaining at the end of the year have been exercised subsequent to 30 June 2005.

Share holdings

The numbers of shares in Sims Group Limited held during the financial year by each director of the Company and consolidated entity or their director-related entities and each of the five specified executives of the consolidated entity are set out below.

Name	Balance at the start of the year	Received on the exercise of options	Sold	Other changes	Balance at the end of the year	Amount paid per share on exercise of options
Directors						
PK Mazoudier	14,082	-	-	-	14,082	-
JL Sutcliffe	2,000	-	-	-	2,000	-
RB Cunningham	43,000	-	(43,000)	-	-	-
GN Brunsdon	3,250	-	-	-	3,250	-
AC Copeman	7,791	-	-	-	7,791	-
JM Feeney	25,504	-	-	-	25,504	-
	95,627	-	(43,000)	-	52,627	-
Specified executives						
CR Jansen	-	-	-	-	-	-
DR McGree	-	-	-	-	-	-
WT Bird	-	-	-	-	-	-
G Davy	-	-	-	-	-	-
RR Brown	-	-	-	-	-	-
	-	-	-	-	-	-

No amounts are unpaid on any shares issued on the exercise of options.

(ii) Transactions with directors

There were no transactions entered into during the financial year with the directors of the parent entity and its controlled entities and their director related entities.

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for the year ended 30 June 2005

NOTE 23. INVESTMENTS IN CONTROLLED ENTITIES

NAME OF ENTITY (class of shares held is ordinary unless otherwise stated)	Country of incorporation	Equity Holding 2005 %	Equity Holding 2004 %
DIRECTLY CONTROLLED ENTITIES OF SIMS GROUP LIMITED			
PNG Recycling Limited	Papua New Guinea	**100**	100
Sims Aluminium Pty Limited (ii)	Australia	**100**	100
Sims E-Recycling Pty Limited (iii)	Australia	**100**	-
Sims Group Canada Limited (i)	Canada	**100**	100
Sims Group UK Holdings Limited (i)	United Kingdom	**100**	100
Sims Tyrecycle Properties Pty Limited	Australia	**100**	100
Sims Tyrecycle Pty Limited	Australia	**100**	100
Simsmetal Finance Limited	Australia	**100**	100
Simsmetal Holdings Pty Limited (ii)	Australia	**100**	100
Simsmetal Staff Equity Pty Limited	Australia	**100**	100
DIRECTLY CONTROLLED ENTITIES OF SIMSMETAL HOLDINGS PTY LIMITED			
Sims Asia Holdings Limited (i)	Hong Kong	**100**	100
Sims Energy Pty Limited (ii)	Australia	**100**	100
Sims Group USA Corporation (i)	USA	**100**	100
Sims Industrial Pty Limited (ii)	Australia	**100**	100
Simsmetal Services Pty Limited (ii)	Australia	**100**	100
Universal Inspection and Testing Company Pty Limited (ii)	Australia	**100**	100
DIRECTLY CONTROLLED ENTITIES OF SIMSMETAL SERVICES PTY LIMITED			
Sims Manufacturing Pty Limited (ii)	Australia	**100**	100
Simsmetal Executive Staff Superannuation Pty Limited	Australia	**100**	100
DIRECTLY CONTROLLED ENTITY OF SIMS INDUSTRIAL PTY LIMITED			
Simsmetal Industries Limited (i)	New Zealand	**100**	100
DIRECTLY CONTROLLED ENTITY OF SIMS GROUP UK HOLDINGS LIMITED			
Sims Group UK Intermediate Holdings Limited (i)	United Kingdom	**100**	100
DIRECTLY CONTROLLED ENTITIES OF SIMS GROUP UK INTERMEDIATE HOLDINGS LIMITED			
Sims Group UK Limited (i)	United Kingdom	**100**	100
Simsmetal UK (Midwest) Limited (i)	United Kingdom	**100**	100
Simsmetal UK (Southern) Limited (i)	United Kingdom	**100**	100
Simsmetal UK Pension Trustees Limited (i)	United Kingdom	**100**	100
Simsmetal UK Recycling Limited (i)	United Kingdom	**100**	100

NOTE 23. INVESTMENTS IN CONTROLLED ENTITIES (continued)

NAME OF ENTITY (class of shares held is ordinary unless otherwise stated)	Country of incorporation	Equity Holding 2005 %	Equity Holding 2004 %
DIRECTLY CONTROLLED ENTITIES OF SIMS GROUP UK LIMITED			
Mirec AB (iii)	Sweden	**100**	-
Mirec BV (iii)	The Netherlands	**100**	-
Mirec Limited (iii)	United Kingdom	**100**	-
Simsmetal UK (Glos.) Limited (i)	United Kingdom	**100**	100
Simsmetal UK (Northern) Limited (i)	United Kingdom	**100**	100
Simsmetal UK (Reclamation) Limited (i)	United Kingdom	**100**	100
Simsmetal UK (SouthEast) Limited (i)	United Kingdom	**100**	100
Simsmetal UK (SouthWest) Limited (i)	United Kingdom	**100**	100
Simsmetal UK (Wessex Holdings) Limited (i) (in liquidation)	United Kingdom	**100**	100
Simsmetal UK (Wessex) Limited (i)	United Kingdom	**100**	100
SK Stainless Limited (i)	United Kingdom	**100**	100
United Castings Limited (i)	United Kingdom	**100**	100
DIRECTLY CONTROLLED ENTITIES OF SIMSMETAL UK (SOUTHEAST) LIMITED			
Blackbushe Metals (Western) Limited (i)	United Kingdom	**100**	100
Simsmetal UK (Elliott) Limited (i)	United Kingdom	**100**	100
DIRECTLY CONTROLLED ENTITY OF BLACKBUSHE METALS (WESTERN) LIMITED			
Simsmetal UK (Fraser) Limited (i)	United Kingdom	**75**	75
DIRECTLY CONTROLLED ENTITY OF MIREC LIMITED			
Mirec Asset Management Group Limited (iii)	United Kingdom	**100**	-
DIRECTLY CONTROLLED ENTITIES OF MIREC ASSET MANAGEMENT GROUP LIMITED			
Mirec Asset Management Limited (iii)	United Kingdom	**100**	-
Lot 1 Co. Limited (iii)	United Kingdom	**100**	-
Frazier Europe Limited (iii)	United Kingdom	**100**	-
DIRECTLY CONTROLLED ENTITIES OF MIREC BV			
De Valk Glas BV (iii)	The Netherlands	**100**	-
ICR Business BV (iii)	The Netherlands	**100**	-
Mirec NV (iii)	Belgium	**100**	-
DIRECTLY CONTROLLED ENTITY OF DE VALK GLAS BV			
Limburgglas BV (iii)	The Netherlands	**100**	-

(i) Controlled entity audited by other PricewaterhouseCoopers firm.

(ii) These entities and the Company are parties to a Deed of Cross Guarantee under which each entity guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/0321, 01/1087, 02/0248 and 02/1017) issued by the Australian Securities & Investments Commission. The above entities represent a Closed Group and an Extended Closed Group for the purposes of the Class Order.

(iii) These entities were acquired during the year.

NOTE 23. INVESTMENTS IN CONTROLLED ENTITIES (continued)

Entities and businesses acquired during the year ended 30 June 2004:
On 31 May 2004 Sims Group USA Corporation purchased the assets and business of Bay Bridge Enterprises LLC, Virginia USA for $42.652m. The business operates a metal recycling and shredding facility with a deep water dock facility on the Elizabeth River, Chesapeake, Virginia.

On 28 May 2004 Sims Group Limited acquired 100% of the issued capital of Devote Pty Ltd and Tinsel Pty Ltd (trading as Tyrecycle and Encore Rubber) for $6.169m. The business is Australia's largest collector of used tyres and operates shredders in Queensland, New South Wales and Victoria. The Encore Rubber granulation plant, located in Melbourne, converts used tyres into rubber crumb for use in a wide range of applications.

On 18 November 2003 Sims Group Limited purchased the assets and business of Steelmar Holdings Pty Limited for $2.979m. The business operates a metal recycling facility in the Australian Capital Territory.

Entities and businesses acquired during the year ended 30 June 2005:
On 5 October 2004 Sims Group UK Limited purchased the isssued capital of the Mirec Group of Companies for $55.961m. The business recycles and recovers a wide range of electrical, electronic and IT equipment and operates dedicated plants for the recycling of cathode ray tubes from TV and computer monitors and for the 'asset management' of reuseable equipment and components. It operates businesses in Holland, throughout the Benelux countries, Sweden and the United Kingdom.

On 30 May 2005 Sims Group Limited purchased an 'e-waste' business from Volante Pty Limited for $157,000. The fee for service recycling business will result in the recovery of metals, circuit boards plastics and CRT glass.

	CONSOLIDATED		**PARENT ENTITY**	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Carrying amount of assets and liabilities as at acquisition dates				
Cash	**1,424**	466	-	-
Receivables	**8,243**	2,381	-	-
Prepayments	**2,136**	131	-	-
Inventories	**3,785**	3,920	-	-
Property, plant & equipment	**22,202**	30,559	-	329
Net tax assets	**2,926**	(138)	-	-
Intangibles	-	213	-	-
Investments	-	-	**157**	6,169
Trade and other creditors	**(26,337)**	(1,589)	-	-
Bank loans	-	(1,255)	-	-
Other loans	-	(2,400)	-	-
Employee entitlement provisions	**(274)**	(1,326)	-	-
Net assets of entity	**14,105**	30,962	**157**	6,498
Goodwill on acquisition	**42,013**	20,838	-	2,650
Consideration paid (all as cash)	**56,118**	51,800	**157**	9,148
Outflow of cash to acquire controlled entities and businesses, net of cash acquired				
Consideration paid	**56,118**	51,800	**157**	9,148
Less: Cash acquired	**(1,424)**	(466)	-	-
Net cash proceeds paid	**54,694**	51,334	**157**	9,148

NOTE 23. INVESTMENTS IN CONTROLLED ENTITIES (continued)

	CONSOLIDATED	
	2005	2004
	$'000	$'000
The consolidated statement of financial performance for the Closed Group is as follows:		
Revenue from ordinary activities	**1,140,952**	783,565
Expenses from ordinary activities	**(1,021,564)**	(722,510)
Borrowing costs expense	**(2,645)**	(154)
Profit from ordinary activities before income tax expense	**116,743**	60,901
Income tax expense relating to ordinary activities	**(32,196)**	(16,576)
Profit from ordinary activities after related income tax expense	**84,547**	44,325
Net increase in asset revaluation reserve	**31,194**	-
Total revenues, expenses and valuation adjustments recognised directly in equity	**31,194**	-
Total changes in equity other than those resulting from transactions with owners as owners	**115,741**	44,325
The summary of movements in consolidated retained profits is as follows:		
Retained profits at the beginning of the financial year	**60,043**	68,160
Profit from ordinary activities after related income tax expense	**84,547**	44,325
Dividends provided for or paid (note 17)	**(118,412)**	(52,442)
Retained profits at the end of the financial year	**26,178**	60,043

NOTE 23. INVESTMENTS IN CONTROLLED ENTITIES (continued)

	CONSOLIDATED	
	2005	2004
	$'000	$'000
The consolidated statement of financial position for the Closed Group is as follows:		
Current Assets		
Cash assets	**350**	11,333
Receivables	**92,700**	71,443
Inventories	**78,611**	81,133
Other	**10,568**	8,102
Total Current Assets	**182,229**	172,011
Non-current Assets		
Receivables	**5,812**	6,063
Investments accounted for using the equity method	**139**	139
Other financial assets	**103,959**	102,894
Property, plant and equipment	**159,551**	114,764
Deferred tax assets	**2,851**	3,908
Intangible assets	**4,496**	4,805
Total Non-current Assets	**276,808**	232,573
Total Assets	**459,037**	404,584
Current Liabilities		
Payables	**82,539**	74,800
Current tax liabilities	**25,888**	15,663
Provisions	**12,644**	7,419
Total Current Liabilities	**121,071**	97,882
Non-current Liabilities		
Interest bearing liabilities	**36,770**	-
Deferred tax liabilities	**225**	741
Provisions	**9,344**	11,663
Total Non-current Liabilities	**46,339**	12,404
Total Liabilities	**167,410**	110,286
Net Assets	**291,627**	294,298
Equity		
Contributed equity	**220,665**	220,665
Reserves	**44,784**	13,590
Retained profits	**26,178**	60,043
Total Equity	**291,627**	294,298

NOTE 24. INVESTMENTS IN ASSOCIATES

The investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (note 7). The equity method was adopted with effect from 1 January 1997. Information relating to the associates is set out below.

Name of Associate	Principal Activity	Ownership Interest		CONSOLIDATED Carrying Amount		PARENT ENTITY Carrying Amount	
		2005	2004	**2005**	2004	**2005**	2004
				$'000	$'000	**$'000**	$'000
Richmond Steel Recycling Limited	Metal Recycling	**50.0%**	50.0%	**9,131**	6,878	**-**	-
Landfill Management Services Pty Limited	Landfill Gas Management	**25.0%**	25.0%	**613**	348	**126**	126
Australian Refined Alloys Pty Limited	Metal Recycling	**50.0%**	50.0%	**13**	13	**13**	13
Extruded Metals (New Zealand) Limited (liquidated in 2005)	Metal Recycling	**0.0%**	33.3%	**-**	-	**-**	-
Sims Pacific Metals Limited	Metal Recycling	**50.0%**	50.0%	**515**	582	**-**	-
Consolidated Extrusions Pty Limited	Metal Recycling	**33.3%**	33.3%	**-**	-	**-**	-
Consolidated Extrusions (Management) Pty Limited	Metal Recycling	**33.3%**	33.3%	**-**	-	**-**	-
				10,272	7,821	**139**	139

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent 2005 $'000	Parent 2004 $'000
(i) Movements in carrying amounts of investment				
Carrying amount at the beginning of the financial year	**7,821**	5,503	**139**	139
Foreign currency translation reserve	**(175)**	(207)	**-**	-
Share of profit from ordinary activities after related income tax expense	**2,626**	2,525	**-**	-
Carrying amount at the end of the financial year	**10,272**	7,821	**139**	139
(ii) Results attributable to associates				
The consolidated entity's share of the results of the associates is as follows :				
Profit from ordinary activities before related income tax expense	**3,961**	4,047	**-**	-
Income tax expense relating to ordinary activities	**(1,335)**	(1,522)	**-**	-
Profit from ordinary activities after related income tax expense	**2,626**	2,525	**-**	-
(iii) Share of reserves attibutable to associates				
Retained profits				
Balance at the beginning of the financial year	**6,869**	4,344	**-**	-
Share of profit from ordinary activities after related income tax expense	**2,626**	2,525	**-**	-
Balance at the end of the financial year	**9,495**	6,869	**-**	-

NOTE 24. INVESTMENTS IN ASSOCIATES (continued)

	CONSOLIDATED Carrying Amount		PARENT ENTITY Carrying Amount	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
(iii) Share of reserves attributable to associates (continued)				
Foreign currency translation reserve				
Balance at the beginning of the financial year	**1,515**	1,495	**-**	-
Share of profit from ordinary activities after related income tax expense	**(82)**	20	**-**	-
Balance at the end of the financial year	**1,433**	1,515	**-**	-
(iv) Summary performance and financial position of associates				
The aggregate net profit, assets and liabilities of the associates is as follows:				
Profit from ordinary activities after related income tax expense	**5,790**	5,253	**-**	-
Assets	**48,023**	34,044	**-**	-
Liabilities	**(26,539)**	(16,649)	**-**	-

(v) Share of contingent liabilities and capital expenditure commitments of associates

The consolidated entity's share of the associates' contingent liabilities and capital expenditure commitments is included in notes 18 and 19.

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NOTE 25. INTERESTS IN JOINT VENTURES

The consolidated entity has the following interests in joint venture operations:

- 50% interest in the Australian Refined Alloys unincorporated joint venture, the principal activity of which is the production of lead, lead alloys and related products.
- 50% interest in the New Zealand based Sims Pacific Metals unincorporated joint venture, the principal activity of which is the processing and sale of ferrous and non-ferrous secondary raw materials.
- 50% interest in the UK based End of Life Vehicle Information Systems joint venture which does not trade at present.
- 33.3% interest in the Consolidated Extrusions unincorporated joint venture, the principal activity of which is the production and sale of extruded brass and copper products.

	CONSOLIDATED		**PARENT ENTITY**	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
The consolidated entity's interest in assets employed in the joint ventures is included in the statements of financial position under the classifications shown below:				
Current assets				
Cash assets	**1,746**	1,593	**1,915**	1,472
Receivables	**20,339**	17,820	**11,012**	11,926
Inventories	**9,622**	11,073	**5,430**	5,612
Goodwill	**300**	328	**-**	-
Non-current assets				
Property, plant and equipment	**8,953**	8,739	**1,114**	2,670
	40,960	39,553	**19,471**	21,680
Current liabilities				
Payables	**10,166**	10,459	**4,712**	5,210
Provisions	**802**	766	**602**	579
Non-current liabilities				
Provisions	**531**	512	**505**	487
	11,499	11,737	**5,819**	6,276
Share of assets employed in joint ventures	**29,461**	27,816	**13,652**	15,404

The consolidated entity's share of joint venture contingent liabilities and capital expenditure commitments is included in notes 18 and 19.

NOTE 26. RELATED PARTY INFORMATION

Ownership interests in related parties

Interests held in controlled entities are set out in note 23. Interests held in associates and joint ventures are set out in notes 24 and 25 respectively.

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Wholly-owned group				
The wholly-owned group consists of Sims Group Limited and its wholly-owned controlled entities. Ownership interests in these controlled entities are set out in note 23.				
Transactions between Sims Group Limited and other entities in the wholly-owned group consisted of:				
Loans advanced by Sims Group Limited				
Loans repaid to Sims Group Limited				
Payment of dividends to Sims Group Limited				
Transactions between Sims Group Limited and its wholly-owned Australian controlled entities under the accounting tax sharing agreement described in note 4.				
Payment to Sims Group Limited for the provision of general administrative assistance.				
Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with entities in the wholly-owned group:				
Dividend revenue			**40,000**	-
Amounts receivable and payable to other related parties				
Aggregate amounts receivable at balance date from :				
Non-current				
Entities in the wholly-owned group (note 5)	**-**	-	**16,037**	59,357
Aggregate amounts payable at balance date to :				
Non-current				
Entities in the wholly-owned group (note 11)	**-**	-	**72,984**	101,706
Amounts receivable and payable to other related parties have no fixed terms of repayment and no interest is charged.				
Loans to associated companies				
Convertible Notes in Landfill Management Services Pty Ltd	**8,000**	6,000	**8,000**	6,000
The convertible notes are non-interest bearing.				

Controlling entity

The ultimate parent entity in the wholly-owned group is Sims Group Limited.

NOTE 27. SEGMENT INFORMATION

Geographical segments

The consolidated entity's operations span the globe with facilities spread throughout Australia, New Zealand, Papua New Guinea, the United States of America, United Kingdom and Canada. The consolidated entity also has representative offices in China, Malaysia, India, Eastern Europe and Thailand.

The major geographical areas of operation are as follows:

Australia - comprising Australia and Papua New Guinea
North America - comprising the United States of America and Canada
New Zealand
United Kingdom - comprising United Kingdom, Sweden, Holland and Denmark

Business segments

The consolidated entity operates predominantly in the secondary metal recycling industry. Its core business involves ferrous and non-ferrous secondary raw materials recycling and secondary processing.

Ferrous secondary recycling comprises the collection, processing and trading of iron and steel secondary raw material.

Non-ferrous secondary recycling comprises the collection, processing and trading of other metal alloys and residues, principally aluminium, lead, copper, zinc and nickel bearing materials.

Secondary processing is a value adding process involving the melting, refining and ingoting of certain non-ferrous metals, the production of extruded products and the reclamation and reprocessing of plastics.

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NOTE 27. SEGMENT INFORMATION (continued)

Primary reporting - geographical segments

	2005					
	Australia $'000	North America $'000	New Zealand $'000	United Kingdom $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Sales to external customers	1,157,628	582,956	83,839	740,624	-	2,565,047
Intersegment sales (note (a))	579	-	-	-	(579)	-
Total sales revenue	1,158,207	582,956	83,839	740,624	(579)	2,565,047
Share of net profits of associates accounted for using the equity method	344	2,282	-	-	-	2,626
Other revenue	3,234	244	78	1,543	-	5,099
Total segment revenue	1,161,785	585,482	83,917	742,167	(579)	2,572,772
Segment contribution	103,070	97,388	14,004	60,258	-	274,720
Unallocated revenue less unallocated expenses						-
Profit from ordinary activities before income tax expense						274,720
Income tax expense						(86,856)
Profit from ordinary activities after income tax expense						187,864
Segment and Total Assets	360,778	177,524	23,226	318,210	-	879,738
Segment and Total Liabilities	160,036	15,740	14,148	154,349	-	344,273
Investment in associates accounted for using the equity method	627	9,130	515	-	-	10,272
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	26,895	15,452	1,390	38,351	-	82,088
Depreciation and amortisation expense	12,278	8,722	1,309	16,451	-	38,760
Other non-cash expenses / (income)	12,381	1,468	216	(1,031)	-	13,034

NOTES TO THE

FINANCIAL STATEMENTS

for the year ended 30 June 2005

NOTE 27. SEGMENT INFORMATION (continued)

Primary reporting - geographical segments (continued)

	2004					
	Australia $'000	**North America $'000**	**New Zealand $'000**	**United Kingdom $'000**	**Inter-segment eliminations/ unallocated $'000**	**Consolidated $'000**
Sales to external customers	786,874	426,440	61,734	598,887	-	1,873,935
Intersegment sales (note (a))	600	-	-	-	(600)	-
Total sales revenue	787,474	426,440	61,734	598,887	(600)	1,873,935
Share of net profits of associates accounted for using the equity method	38	2,487	-	-	-	2,525
Other revenue	1,319	2,607	87	1,517	-	5,530
Total segment revenue	788,831	431,534	61,821	600,404	(600)	1,881,990
Segment contribution	57,564	57,087	11,542	40,369	-	166,562
Unallocated revenue less unallocated expenses						-
Profit from ordinary activities before income tax expense						166,562
Income tax expense						(54,059)
Profit from ordinary activities after income tax expense						112,503
Segment and Total Assets	312,178	152,841	20,857	235,282	-	721,158
Segment and Total Liabilities	111,650	49,407	12,447	99,086	-	272,590
Investment in associates accounted for using the equity method	361	6,878	582	-	-	7,821
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	30,160	44,824	2,437	29,431	-	106,852
Depreciation and amortisation expense	10,986	7,274	1,172	10,785	-	30,217
Other non-cash expenses / (income)	15,135	(152)	197	(748)	-	14,432

Note (a) Intersegment sales

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

NOTE 27. SEGMENT INFORMATION (continued)

Secondary reporting - business segments

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	2005	2004	**2005**	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Ferrous metal recycling	**1,618,919**	1,146,138	**601,385**	492,980	**68,523**	89,194
Non-ferrous metal recycling	**542,433**	457,687	**181,214**	148,549	**10,016**	13,038
Secondary processing	**403,695**	270,110	**97,139**	79,629	**3,549**	4,620
	2,565,047	1,873,935	**879,738**	721,158	**82,088**	106,852

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004

NOTE 28. EARNINGS PER SHARE

	Cents Per Share	
Basic earnings per share	**206.3**	122.6
Diluted earnings per share	**206.0**	122.5
	Number of Shares	
Weighted average number of ordinary shares outstanding during the financial year used in the calculation of basic earnings per share	**91,086,086**	91,765,940
	Number of Shares	
Weighted average number of ordinary shares and potential ordinary shares outstanding during the financial year used in the calculation of diluted earnings per share	**91,179,605**	91,854,465
	$'000	$'000
Earnings used in calculating diluted earnings per share	**187,864**	112,503

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000

NOTE 29. CASH FLOW INFORMATION

(i) Reconciliation of cash

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:				
Cash and short term deposits	**46,008**	20,107	**4,210**	1,890

(ii) Reconciliation of profit from ordinary activities after related income tax expense to net cash inflow from operating activities

Profit from ordinary activities after related income tax expense	**187,864**	112,503	**112,790**	38,086
Amortisation of goodwill	**5,976**	3,794	**309**	250
Depreciation and amortisation of property, plant and equipment	**32,784**	26,423	**9,242**	8,734
Net profit on disposal of non-current assets	**(2,794)**	(1,100)	**(194)**	(120)
Write-down of assets in a joint venture	**2,043**	6,682	**2,043**	6,682
Change in assets and liabilities, net of effects of acquisitions and disposals of entities:				
Increase in trade and other debtors	**(9,940)**	(47,931)	**(15,675)**	(17,138)
(Increase) / decrease in inventories	**8**	(55,174)	**(1,448)**	(24,197)
(Increase) / decrease in prepayments	**(962)**	862	**(259)**	1,181
Increase in provisions	**3,158**	3,496	**3,139**	4,589
Increase in income tax payable	**4,090**	9,131	**8,330**	5,712
Increase / (decrease) in deferred taxes	**1,988**	(4,598)	**474**	(4,962)
Increase / (decrease) in accounts payable and other creditors	**(31,408)**	37,159	**1,145**	23,602
Net cash inflow from operating activities	**192,807**	91,247	**119,896**	42,419

NOTE 30. FINANCING ARRANGEMENTS

Entities in the consolidated entity have access to the following credit standby arrangements :				
Unsecured global multi-currency/multi-option loan facilities, subject to reviews ranging from one to three years, totalling	**379,269**	329,235	**-**	-
Amount of credit unused	**278,178**	299,465	**-**	-

NOTE 31. FINANCIAL INSTRUMENTS

(i) Forward foreign exchange contracts

The consolidated entity enters into forward foreign exchange contracts to buy and sell specific amounts of various foreign currencies in the future at pre-determined exchange rates. The contracts are entered into to hedge contracted purchase and sale commitments denominated in foreign currencies.

The settlement dates, dollar amounts to be received and contractual exchange rates of the consolidated entity's outstanding contracts at balance date are:

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Buy AUD, Sell USD Up to 12 months - at rates averaging AUD to USD 2005: 0.7591 (2004: 0.6863)	**21,076**	11,656	**21,076**	11,656
Buy AUD, Sell GBP Up to 12 months - at rates averaging AUD to GBP 2005: Nil (2004: 0.3940)	**-**	1,332	**-**	1,332
Buy GBP, Sell AUD Up to 12 months - at rates averaging AUD to GBP 2005: Nil (2004: 0.3876)	**-**	310	**-**	310
Buy NZD, Sell USD Up to 12 months - at rates averaging NZD to USD 2005: 0.6961 (2004: 0.6535)	**2,637**	2,895	**2,637**	2,895
Buy EUR, Sell USD Up to 12 months - at rates averaging EUR to USD 2005: 1.2238 (2004: 1.1934)	**1,425**	502	**1,425**	502
Buy NZD, Sell AUD Up to 12 months - at rates averaging AUD to NZD 2005: 1.0721 (2004: Nil)	**2,798**	-	**2,798**	-
Buy GBP, Sell USD Up to 12 months - at rates averaging GBP to USD 2005: 1.8414 (2004: 1.7981)	**51,322**	36,636	**-**	-
Buy GBP, Sell EUR Up to 12 months - at rates averaging GBP to EUR 2005: 1.4555 (2004: 1.4902)	**10,652**	28,364	**-**	-
Buy USD, Sell GBP Up to 12 months - at rates averaging GBP to USD 2005: 1.8139 (2004: 1.7962)	**4,329**	811	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

NOTE 31. FINANCIAL INSTRUMENTS (continued)

	CONSOLIDATED		PARENT ENTITY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
(i) Forward foreign exchange contracts (continued)				
Buy EUR, Sell GBP				
Up to 12 months - at rates averaging GBP to EUR 2005: 1.4618 (2004: 1.4405)	**705**	584	**-**	-
At balance date net deferred (profit) / loss on these contracts calculated by reference to the current forward rates for contracts with similar maturity profiles amounted to:	**650**	(111)	**27**	150

The actual financial result will be dependent upon the exchange rate at the settlement dates and will be brought to account within future sales revenue in accordance with note 1(c).

(ii) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk arises predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity. The effective weighted average interest rate for each class of financial assets and financial liabilities is as follows.

			Fixed interest maturing in:				
2005	**Note**	**Floating interest rate $'000**	**1 year or less $'000**	**Over 1 to 5 years $'000**	**More than 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Financial assets							
Cash and deposits	29	**46,008**	-	-	-	-	**46,008**
Receivables	5	-	-	-	-	**208,488**	**208,488**
		46,008	-	-	-	**208,488**	**254,496**
Weighted average interest rate		**2.2%**					
Financial liabilities							
Bank overdrafts and loans	12	**98,946**	-	-	-	-	**98,946**
Trade and other creditors	11	-	-	-	-	**182,469**	**182,469**
		98,946	-	-	-	**182,469**	**281,415**
Weighted average interest rate		**5.0%**					
Net financial assets / (liabilities)		**(52,938)**	-	-	-	**26,019**	**(26,919)**

NOTE 31. FINANCIAL INSTRUMENTS (continued)

(ii) Interest rate risk exposures (continued)

			Fixed interest maturing in:				
2004	**Note**	**Floating interest rate $'000**	**1 year or less $'000**	**Over 1 to 5 years $'000**	**More than 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Financial assets							
Cash and deposits	29	20,107	-	-	-	-	20,107
Receivables	5	-	-	-	-	188,305	188,305
		20,107	-	-	-	188,305	208,412
Weighted average interest rate		2.1%					
Financial liabilities							
Bank overdrafts and loans	12	38,050	-	-	-	-	38,050
Trade and other creditors	11	-	-	-	-	179,475	179,475
		38,050	-	-	-	179,475	217,525
Weighted average interest rate		4.9%					
Net financial assets / (liabilities)		(17,943)	-	-	-	8,830	(9,113)

Reconciliation of net financial assets / (liabilities) to net assets	Note	**2005 $'000**	2004 $'000
Net financial assets / (liabilities) as above		**(26,919)**	(9,113)
Non-financial assets and liabilities			
Inventories	6	**150,956**	147,676
Investments	7	**10,272**	7,821
Property, plant and equipment	8	**337,687**	261,755
Intangibles	10	**99,781**	73,360
Other assets	9	**26,546**	22,134
Tax liabilities	13	**(37,754)**	(33,201)
Provisions	14	**(25,104)**	(21,864)
Net assets per statements of financial position		**535,465**	448,568

(iii) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

NOTE 32. EFFECTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The AASB has adopted IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations originated by either the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The consolidated entity has established a project team to manage the transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the Group General Manager - Finance and Administration and reports to the Audit Committee. The project team has prepared a timetable for managing the transition and is currently on schedule.

The project team has analysed all of the AIFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable effects on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the Company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Notes explaining the effects on the statements of financial performance and statements of financial position

(i) Intangible assets – goodwill

Under AASB 3 *Business Combinations*, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period.

If the policy required by AASB 3 had been applied during the year ended 30 June 2005, consolidated goodwill at 30 June 2005 would have been $5.976m higher and consolidated amortisation expense for the year ended 30 June 2005 would have been $5,976m lower. The effect on the parent entity goodwill at 30 June 2005 would have been $0.309m higher and consolidated amortisation expense for the year ended 30 June 2005 would have been $0.309m lower.

(ii) Financial instruments

The group will be taking advantage of the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement* only from 1 July 2005. This allows the group to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report.

NOTE 32. EFFECTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

Notes explaining the effects on the statements of financial performance and statements of financial position (continued)

(ii) Financial instruments (continued)

Under AASB 132, the current classification of financial instruments issued by entities in the consolidated entity would not change.

AASB 139 is likely to have the following effects.

(i) Classification and measurement of financial assets and liabilities

Under AASB 139, financial assets held by entities in the consolidated entity will be classified as either fair value through profit or loss, held-to-maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost.

This will result in a change to the current accounting policy, under which financial assets are carried at the lower of cost and recoverable amount, with changes recognised in profit or loss.

As a result of the application of the exemption referred to above, there would have been no adjustment to classification or measurement of financial assets or liabilities from the application of AIFRS during the year ended 30 June 2005. Changes in classification and measurement will be recognised from 1 July 2005.

(ii) Cash flow hedges

Under AASB 139, foreign exchange contracts held for hedging purposes may be accounted for as cash flow hedges. Changes in the fair value of those contracts will be recognised directly in equity until the hedged transaction occurs, in which case the amounts recognised in equity will be included in the initial cost of the assets acquired.

This will result in a change to the current accounting policy, under which the costs or gains arising under contracts together with any realised or unrealised gains from remeasurement are included in assets or liabilities as deferred losses or deferred gains.

As a result of the application of the exemption referred to above, there would have been no adjustment to classification or measurement of cash flow hedges from the application of AIFRS during the year ended 30 June 2005. Changes in classification and measurement will be recognised from 1 July 2005 as a result of the exemption.

(iii) Employee Benefits

Under AASB 119 *Employee Benefits*, the Group will be required to recognise an asset or liability for the net surplus or deficit of all defined benefit funds measured as the difference between the net present value of employees' accrued benefits at the reporting date and the net market value of the funds' assets at that date.

An initial adjustment on transition to AASB 119 to recognise the asset or liability will be made against retained earnings. A number of options are available to account for subsequent movements in the asset or liability, including taking such amounts to the profit and loss account. The option to be adopted has yet to be determined.

This will result in a change to the current accounting policy which does not currently recognise assets or liabilities in respect of the net surplus or deficit of the defined benefit funds.

NOTE 32. EFFECTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

Notes explaining the effects on the statements of financial performance and statements of financial position (continued)

(iii) Employee Benefits (continued)

The effect of this change will be to recognise liabilities/assets for any deficits/surplus in the defined benefit funds based on actuarial valuations at that time.

The change to the asset or liability recorded in the consolidated and parent entity's accounts on transition has not been quantified due to all actuarial reports not being finalised at this time. Accordingly it has not been possible to make an assessment of the effect of the change on earnings.

(iv) Equity-based Compensation Benefits

Under AASB 2 *Share-based Payment*, from 1 July 2004 the group is required to recognise an expense for options that are issued to employees after 7 November 2002 but that had not vested by 1 January 2005.

This will result in a change to the current accounting policy under which no expense is recognised for equity-based compensation.

If the policy required by AASB 2 had been applied during the year ended 30 June 2005, there would have been no effect on the financial statements as no options were issued to any employee after 7 November 2002.

(v) Income Tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity’s assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method. Under this method items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

The effect of applying the new statement on the carrying value of the deferred tax balances for the consolidated and parent entity has yet to be determined.

(vi) Property, Plant and Equipment

Under AASB 116 *Property, Plant and Equipment*, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to equity under the heading of revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be debited directly to equity under the heading of revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

NOTE 32. EFFECTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

Notes explaining the effects on the statements of financial performance and statements of financial position (continued)

(vi) Property, Plant and Equipment (continued)

This will result in a change to the current accounting policy, under which any devaluation of an item of property plant and equipment would be off-set against a revaluation of assets in the same class.

If the policy required by AASB 116 had been applied during the year ended 30 June 2005 the following would have resulted:

An increase in the total consolidated asset revaluation reserve of $1.760m and a decrease in earnings before income tax of $1.760m being the total write-down of assets for which there was no corresponding asset revaluation reserve. There is no change to the asset revaluation reserve or accumulated losses in the parent entity's accounts.

(vii) Tax Consolidation Legislation

Under UIG 1052 *Tax Consolidation Accounting*, the parent entity, as the head entity in the tax consolidated group, will be required to recognise the current tax payable of the tax consolidated subsidiaries and deferred tax assets relating to tax losses of these subsidiaries. The net difference between these amounts and amounts receivable or payable under tax funding agreements will result in distributions being recognised in the head entity and other members of the tax consolidated group.

The parent entity's own tax amounts will be measured using one of the acceptable allocation methods in UIG 1052.

This differs from the current accounting policy, under which the parent entity recognises current and deferred tax amounts relating to transactions, events and balances of the tax consolidated subsidiaries as if those transactions, events and balances were its own, and measures its own tax amounts by applying the principles in AASB 1020.

On 1 July 2004, the deferred tax balances relating to tax consolidated subsidiaries will be derecognised against the relevant intercompany account, resulting in a reduction of deferred tax assets, deferred tax liabilities and tax-related intercompany receivables (payables) of $0.851m, $0.206m and $0.645m respectively. There will be no effect on the net assets or tax expense of the consolidated entity as at the AIFRS transition date.

The consolidated tax balances will not change as a result of UIG 1052.

(viii) Revenue disclosures in relation to the sale of non-current assets

Under AFIRS, the revenue recognised in relation to the sale of non-current assets is the net gain on the sale. This is in contrast to the current Australian GAAP treatment under which the gross proceeds from the sale are recognised as revenue, and the carrying amount of the asset sold is recognised as an expense. The net effect on the profit and loss of this difference is nil.

If the policy required under AIFRS had been applied during the year ended 30 June 2005, the consolidated revenue from ordinary activities would have been $4.081m lower (parent entity $0.243m lower), the consolidated carrying amount of non-current assets sold disclosed as an expense in the statement of financial performance would have been $1.287m lower (parent entity $0.049m lower) and the consolidated other income would have been $2.794m higher (parent entity $0.194m higher).

NOTE 33. EVENTS OCCURRING AFTER REPORTING DATE

Conex Joint Venture

On 21 July 2005, it was announced that Conex, Sims Group Limited's one-third share owned joint venture with Crane Group Limited, will be closed. Conex is a manufacturer of copper alloy rod and bar extrusions based at Ingleburn, NSW. The closure will be staged over a 6 month period which is expected to be finalised by December 2005.

This closure is a reflection of increasingly difficult conditions in the market in which Conex competes, in particular high raw material prices, a diminishing Australian market and strong import competition.

An amount of $2.043m has been charged against the profit and loss during the year in respect of the write-down of assets of the joint venture to their estimated recoverable amounts.

No other financial effects of the above transaction have been brought to account as at 30 June 2005.

DIRECTORS' DECLARATION

for the year ended 30 June 2005

In the directors' opinion:

(a) The financial statements and notes set out on pages 27 to 77 and remuneration disclosure tables on pages 20 to 21 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) the remuneration disclosure tables that are contained in the directors' report on pages 20 to 21 comply with Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities* and the Corporations Regulations 2001; and

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

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

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

P K Mazoudier
Chairman

J L Sutcliffe
Group Chief Executive

Signed in Sydney, NSW, Australia on 26 August 2005

INDEPENDENT AUDIT REPORT

to the members of Sims Group Limited

Audit opinion

In our opinion:

1. the financial report of Sims Group Limited on pages 27 to 77:
   - gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Sims Group Limited and Sims Group (defined below) as at 30 June 2005, and of their performance for the year ended on that date, and
   - is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001; and

2. the remuneration disclosure tables that are contained in the directors' report on pages 20 to 21 comply with Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities* (AASB 1046) and the Corporations Reguations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Sims Group Limited (the company) and Sims Group (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives ("remuneration disclosures") as required by AASB 1046, under the heading "details of remuneration" in the directors' report on pages 20 to 22, as permitted by the *Corporations Regulations 2001*.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosure tables comply with AASB 1046 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows. We also performed procedures to assess whether the remuneration disclosure tables comply with AASB 1046 and the Corporations Regulations 2001.

INDEPENDENT AUDIT REPORT (continued)

to the members of Sims Group Limited

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls. Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

W H B Seaton
Partner

Sydney 26 August 2005

Liability limited by a scheme approved under Professional Standards Legislation.

AUDITORS' INDEPENDENCE DECLARATION

As lead auditor for the audit of Sims Group Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sims Group Limited and the entities it controlled during the period.

W H B Seaton
Partner
PricewaterhouseCoopers

Sydney 26 August 2005

SHAREHOLDER INFORMATION

as at 13 September 2005

Voting Rights

Voting rights attaching to the ordinary shares are, on a show of hands, one vote for every person present as a member, proxy, attorney or representative thereof and upon a poll each share shall have one vote.

Substantial Shareholders

	Ordinary Shares
Perpetual Trustees Australia Limited	11,760,373
M & G Investment Management Limited	7,400,000

Distribution of Holdings

Range			Holders
1	-	1,000	11,477
1,001	-	5,000	10,507
5,001	-	10,000	1,183
10,001	-	100,000	492
100,001	and	over	37
Total			**23,696**

There were 124 holders of less than a marketable parcel of shares.

Stock Exchange Listing

The Company's ordinary shares are quoted on the Australian Stock Exchange.

ADR Facility

The Company has a sponsored American Depositary Receipt (ADR) facility with the Bank of New York. ADRs trade on the over-the-counter market in the USA under cusip number 829202100 with each ADR representing four ordinary shares. Further information and investor enquiries on ADRs should be directed to the ADR Depositary listed in the Corporate Directory.

Shareholder Enquiries

The Share Register of the Company is maintained by Computershare Investor Services Pty Limited, Sydney. Enquiries from investors regarding their share holdings should be directed to Computershare at the address listed in the Corporate Directory.

Buy-back

The Company currently has an on-market buy-back in place.

SHAREHOLDER INFORMATION

as at 13 September 2005

Twenty largest shareholders

		No. of Shares	% Held
1	J P Morgan Nominees Australia Limited	9,379,976	10.25
2	Westpac Custodian Nominees Limited	7,672,020	8.39
3	RBC Global Services Australia Nominees Pty Limited <Pipooled A/C>	5,209,841	5.70
4	National Nominees Limited	4,790,891	5.24
5	ANZ Nominees Limited <Cash Income A/C>	1,519,210	1.66
6	RBC Global Services Australia Nominees Pty Limited <PIIC A/C>	1,241,983	1.36
7	AMP Life Limited	1,087,265	1.19
8	Queensland Investment Corporation	1,027,500	1.12
9	Citicorp Nominees Pty Limited	943,705	1.03
10	Cogent Nominees Pty Limited	890,750	0.97
11	ANZ Nominees Limited	860,511	0.94
12	UBS Nominees Pty Ltd <Prime Broking A/C>	486,743	0.53
13	Milton Corporation Limited	445,000	0.49
14	HSBC Custody Nominees (Australia) Limited	427,617	0.47
15	UCA Growth Fund Limited	400,000	0.44
16	Argo Investments Limited	377,478	0.41
17	The Australian National University	351,810	0.38
18	Citicorp Nominees Pty Limited <CFSIL Cwlth Aust Shs 11 A/C>	315,363	0.34
19	Cogent Nominees Pty Limited <SMP Accounts>	311,011	0.34
20	Camrock (Australia) Pty Limited	302,200	0.33
		38,040,874	41.58

CORPORATE DIRECTORY

Sims Group Limited ABN 37 008 634 526

Board of Directors

Mr. Paul K Mazoudier *Chairman*
Mr. Jeremy L Sutcliffe *Group Chief Executive*
Mr. Ross B Cunningham *Executive Director Group Finance and Strategy*
Mr. Geoffrey N Brunsdon
Mr. A Charles Copeman
Mr. J Michael Feeney

Auditors

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

Principal Bankers

Commonwealth Bank of Australia
48 Martin Place
Sydney NSW 2000

Share Registry

Shareholder Enquiries to:
Computershare Investor Services Pty. Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Postal Address:
GPO Box 7045,
Sydney NSW 2001
Telephone: 1300 855 080
Facsimile: (61 2) 8234 5050

ADR Depositary
The Bank of New York
Depositary Receipts Division
101 Barclay Street - 22W,
New York NY 10286 USA
Telephone: (1 212) 815 2293
Facsimile: (1 212) 571 3050

For more up to the minute investor relations, visit **www.sims-group.com**

MANAGEMENT DIRECTORY

CORPORATE AND REGISTERED OFFICE

Sims Group Limited
Sims Group House
Level 6, 41 McLaren Street
North Sydney NSW 2060 Australia
(GPO Box 4155 Sydney NSW 2001)
Tel: (02) 9956 9100 Fax: (02) 9954 9680
J L Sutcliffe, *Group Chief Executive*
R B Cunningham, *Executive Director Group Finance and Strategy*
S A Bryce, *Group General Manager Human Resources*
G Evans, *Group Financial Controller*
F M Moratti, *Company Secretary & Legal Counsel*
P S Ricketts, *Group General Manager Finance & Admin.*
S Unkovic, *Group General Manager Audit & Compliance*

AUSTRALIA

D R McGree, *Group Executive General Manager*
A Barrett, *General Manager WA*
P Farmer, *General Manager Qld, PNG*
J Glyde, *General Manager Vic, Tas*
G Howe, *National Operations Manager*
C McGrath, General *Manager SA, NT*
D S McLean, *General Manager Manufacturing*
P Netchaef, *General Manager Recycling Solutions*
K Radhakrishnan, *General Manager Sims International*
J Whitaker, *General Manager NSW*

UNITED STATES OF AMERICA

Sims Group USA Corporation
600 South 4th Street
Richmond Cal. 94804 USA
Tel: (1 510) 412 5300 Fax: (1 510) 412 5421
C R Jansen, *President North America*
J B Barco, *General Manager Operations & Engineering*
J T Buckland, *Senior Vice President*
R P Colton, *General Manager Virginia*
M A Partridge, *Vice President-Finance & CFO*
E A Pumphrey III, *General Manager Brokerage*

CANADA

Sims Group Canada Limited
11760 Mitchell Road
Richmond BC V6V-1V8 Canada
Tel: (1 604) 301 1600 Fax: (1 604) 301 1601
H Dhillon, *General Manager*

NEW ZEALAND JOINT VENTURE

Sims Pacific Metals Limited
Cnr Manu and Kahu Streets
Otahuhu Auckland NZ
Tel: (64 9) 276 1809 Fax: (64 9) 276 6407
R R Brown, *General Manager*

UNITED KINGDOM

Sims Group UK Limited
Long Marston, Stratford-upon-Avon
Warwickshire CV37 8AQ UK
Tel: (44 1789) 720 431 Fax: (44 1789) 720 940
WT Bird, *Managing Director - Metals Recycling*
G Davy, Managing Director - *Sims Recycling Solutions - Europe & North America*
M Coombs, *General Manager Finance*
S Cottam, *General Manager Sims Recycling Solutions*
R Kilpatrick, *General Manager Ops. & Engineering*
P Mumby, *General Manager South West & Home Counties*
R Burke, *General Manager South Wales*
D Williams, *Company Secretary*
P Wright, *General Manager Northern Region*

AUSTRALIAN JOINT VENTURES

Australian Refined Alloys Pty Limited
M Howell, *General Manager*

Consolidated Extrusions Pty Limited
T Cowdery, *General Manager*

EQUITY INVESTMENTS

Landfill Management Services Pty Limited
J J Falzon, *Managing Director*

SIMS INTERNATIONAL CHINA

Suite 2701 No. 166 East Lu Jia Zui Road
Pudong Shanghai 200120 China
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R Loh, *Chief Representative*

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U Nandi, *Chief Representative*

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