





**SIMS**|GROUP



building the world's leading recycling company...

ANNUAL REPORT

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# CONTENTS

<b>1</b>	FINANCIAL SUMMARY
<b>2</b>	CHAIRMAN'S AND CHIEF EXECUTIVE'S REVIEW
<b>8</b>	CEO QUESTIONS & ANSWERS
<b>10</b>	MANAGING SUSTAINABILITY
<b>16</b>	BOARD OF DIRECTORS
<b>18</b>	CORPORATE GOVERNANCE STATEMENT
<b>20</b>	<b>FINANCIAL REPORT</b>
<b>21</b>	DIRECTORS' REPORT
<b>41</b>	FINANCIAL STATEMENTS
<b>96</b>	DIRECTORS' DECLARATION
<b>97</b>	INDEPENDENT AUDIT REPORT
<b>100</b>	AUDITOR'S INDEPENDENCE DECLARATION
<b>101</b>	SHAREHOLDER INFORMATION
<b>102</b>	TEN YEAR TREND SUMMARY
<b>103</b>	CORPORATE DIRECTORY

For the year ended 30 June	2007 (A\$'000s)	2006 (A\$'000s)	% change
<b>Total Operating Revenue</b>	<b>5,550,897</b>	3,754,509	<b>48%</b>
Profit Before Interest and Tax	<b>407,817</b>	301,912	<b>35%</b>
Net Interest Expense	<b>(28,041)</b>	(16,313)	<b>72%</b>
Tax Expense	<b>(125,401)</b>	(88,953)	<b>41%</b>
<b>Operating Profit after Tax</b>	<b>254,375</b>	196,646	<b>29%</b>
Net Cash Flows from Operations	<b>313,497</b>	208,571	<b>50%</b>
Earnings per Share - basic (¢)	<b>203.6</b>	174.2	<b>17%</b>
Dividends per Share (¢)	<b>120.0</b>	105.0	<b>14%</b>
Return on Shareholders' Equity (%)	<b>19.2</b>	16.4	<b>17%</b>
Current Ratio (to 1)	<b>1.80</b>	1.84	<b>-2%</b>
Net Debt	<b>(302,766)</b>	(285,659)	<b>6%</b>
Net Tangible Asset Backing per Share (\$)	<b>5.04</b>	4.68	<b>8%</b>

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





- :: Net profit after tax of \$254.4 million, a **29% increase** on the previous year
- :: Sales revenue **increased 48%** to \$5.55 billion
- :: EBITDA was **up 34%** to \$459 million
- :: EBIT was \$408 million, **up 35%**

The result was achieved through sales of 9.6 million tonnes of material, **up 24% on the previous year**

### RESULTS OVERVIEW

The 2007 financial year was yet another satisfying year as we continued to fulfil our goal of becoming the world's leading recycling company.

The Company achieved a record financial result, with net profit after tax of \$254.4 million, a 29% increase on the previous year. Sales revenue increased 48% to \$5.55 billion, EBITDA (earnings before interest, tax, depreciation and amortisation) was up 34% to \$459 million and EBIT (earnings before interest and tax) was \$408 million, up 35%. The result was achieved through sales of 9.6 million tonnes of material, up 24% on the previous year.

All of our regional metal recycling businesses, as well as Sims Recycling Solutions, performed well. The fourth quarter result was particularly strong, with net profit after tax of \$78.9 million, following a rebound in global ferrous prices and a greatly improved contribution from our North American operations.

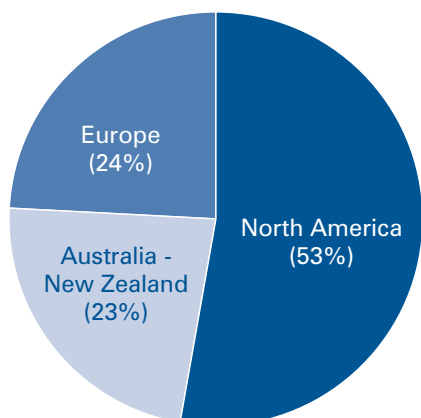
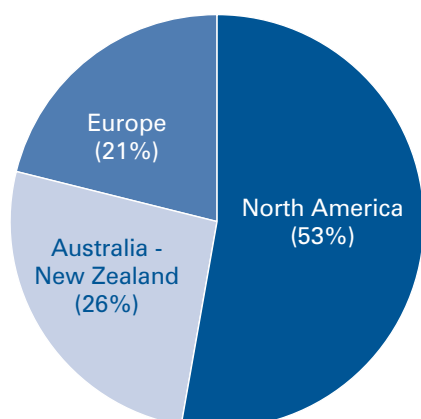
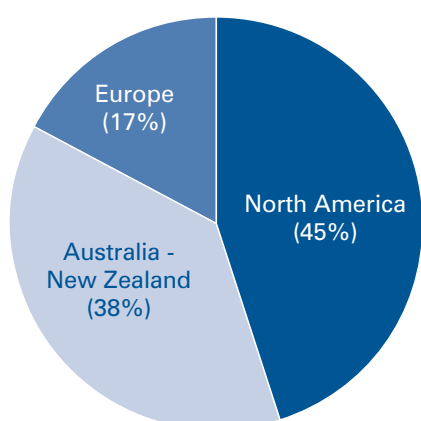
The increase in sales revenue during the year was principally due to a full year contribution from the former Hugo Neu business, strong sales volumes, high metal prices (particularly non ferrous metal prices) and a growing contribution from Sims Recycling Solutions. We congratulate all of our employees on their commendable efforts in achieving these results. The trading expertise and operational excellence displayed by all our employees continues to underpin the success of our business.

Operating cash flow increased by 50% on the previous year to \$314 million, resulting in a modest net debt ratio at year end of 19%, despite capital expenditure (excluding acquisitions) of \$91 million.

Earnings per share at 203.6 cents represented a 17% increase on the previous year and the directors determined that a final dividend of 60 cents per share (51% franked) be paid, providing shareholders with a 2007 financial year total dividend of 120 cents per share (54% franked), up 14% on the previous year. Through the application of foreign conduit income credits, foreign shareholders will be relieved of any withholding tax on the unfranked portion of the final dividend paid.

During the year, we welcomed Mitsui & Co., Ltd of Japan as a substantial cornerstone investor after it acquired a 19.9% shareholding in the Company. Mitsui has been granted the right to nominate one director and another independent director to the Board for as long as it holds at least 15% of the ordinary shares on issue in the Company. Subsequently, we were very pleased to announce the appointment of Mr Masakatsu Iwanaga and Mr Christopher Renwick AM, as non-executive directors of the Company. Messrs Renwick and Iwanaga both bring to Sims Group broad resources experience with prestigious global organisations, with Mr Renwick having been employed with the Rio Tinto group for over 35 years and Mr Iwanaga with Mitsui & Co., Ltd for over 40 years.



**ASSETS****SALES REVENUE****EBIT****OPERATIONAL RESULTS****Metal Recycling****Australia & New Zealand**

Our Australian and New Zealand businesses delivered a robust result with sales revenue up 20% to \$1.47 billion and EBIT up by 23% to \$153.6 million. The Australian ferrous and non ferrous operations performed well with EBIT growth year-on-year in excess of 30%.

Our collection network was expanded further with the acquisition of two businesses in Victoria. Firstly, in January 2007, we acquired the business of Menzies Metals which operates in the Seaford area of Melbourne and has been servicing the South Eastern metropolitan area of Melbourne and the Mornington Peninsula for the past fifty years. Secondly, after year end in August 2007, we acquired the business of McInerney Metals in the Geelong area.

In addition, we opened two greenfield sites, one in North Adelaide and the other on the Sunshine Coast of Queensland, bringing to 52 the number of metal recycling centres around Australia.

Major upgrades to four of our shredders resulted in expanded processing capacity and technical enhancement to downstream recoveries, delivering increased revenues and a reduced waste stream going to landfill.

Sims Steel, the steel long products distribution arm of Sims Group Australia, enjoyed strong demand for its product range and continued to grow sales through the rollout of its network of distribution centres. Sales revenue was up by 14% on the previous year and net profit significantly improved. During the year, we acquired Maroochy Steel, a steel distribution business servicing the rapidly growing Sunshine Coast area of Queensland.

Our Melbourne secondary aluminium smelter undertook significant capital investment in energy and greenhouse gas saving initiatives to improve its environmental footprint. The division was pleased to be awarded the Toyota President's Award for its high performance standards in supplying specification aluminium ingot and molten metal to Toyota's Melbourne manufacturing plant.

Sims Tyrecycle continued to expand its tyre recycling business during the year, with over 20,000 tonnes of end-of-life tyres being diverted from landfill. Capacity was substantially increased, with major capital installations being completed in Victoria and NSW. Consequently, sales revenue was up 11% on the previous year.

The past year has also seen the consolidation of 50% owned Australian-based LMS Generation Pty Ltd (LMS) as a renewable energy and carbon credit generator. LMS builds, owns and operates renewable energy power generation facilities, and its market position in the renewable energy industry was further enhanced with the successful development of Australia's first Micro Power Station located at Tweed Shire in northern New South Wales. LMS is the leader in carbon credit generation from bio gas in Australia and has verified more than 630,000 tonnes of abatement from approved landfill gas projects.

In **New Zealand**, Sims Pacific Metals experienced record intake volumes and strong domestic demand from the Pacific Steel mill.

#### North America

The performance of our North American business (including the former Hugo Neu business which, for the first time, contributed a full 12 months result) improved significantly. For the year, sales revenue was up 69% to \$2.94 billion and EBIT was up by 49% to \$184.1 million. Markets in the US remained intensively competitive, but a combination of the right market dynamics and management focus delivered excellent returns in the fourth quarter. Several operational areas were identified for improvement, especially in downstream recovery and environmental facility upgrades, during the year.

The year saw the completion of the operational and management integration of the former Hugo Neu business. The Sims and Hugo Neu information technology infrastructures were successfully integrated, and accounting and human resources systems were centralised. A separate initiative to examine cost savings across the region has also increased efficiency, reduced overheads and resulted in significant savings on freight shipments, office supplies, and safety equipment.

Corporate culture has also been enhanced, with a strong, unified link developed between two formerly independent companies, resulting in the valuable transfer of knowledge and expertise. We will continue to build upon this success with the introduction of new and innovative human resource and communications programs.

On 1 September 2007, we announced the consummation of the merger of our Southern Californian Metal Recycling assets with those of Adams Steel LLC. The new jointly owned entity, named SA Recycling LLC., is operating within a territory encompassing Southern California, Arizona, Southern Nevada and Northern Mexico. The venture combines Sims Group's deep water facility at the Port of Los Angeles with Adams Steel's two inland shredding operations and extensive network of inland feeder yards, and is run by George Adams, the former President of Adams Steel. The combined business will handle in excess of two million tonnes of ferrous scrap and nearly 100,000 tonnes of non ferrous scrap (including non ferrous shredder residue) and have revenues in excess of US\$600 million per annum. The export capability of Sims is perfectly complemented by the strength and reach of Adams Steel in the domestic sourcing of material. We anticipate that the joint venture will deliver a solid platform for further growth throughout the South-West of the US.

#### Europe

Sims' European businesses (including Sims Recycling Solutions) also performed strongly with sales revenue up 44% to \$1.14 billion and EBIT up by 31% to \$70.1 million.

Improvements in our UK metal recycling business saw EBIT increase by in excess of 20% for both our ferrous and non ferrous divisions. Ferrous volumes were up 5.2% on the previous year and non ferrous volumes were up by 19%.

In January 2007, we completed the acquisition of Cymru Metals, a well established metal recycling business in South Wales, handling in excess of 150,000 tonnes per annum. The Cymru Metals business operates from a number of facilities, including an export dock and provides a traditional range of metal recycling services. Additionally, as an Authorised Treatment Facility (ATF) for End of Life Vehicles (ELVs), Cymru Metals currently recycles tens of thousands of ELVs a year. The addition of Cymru Metals complements our strong network of collection, processing and export facilities across England & Wales.



One of the highlights of the year was being unanimously voted winner of the 2006 National Recycling Awards 'Best Commitment to Health and Safety'. Sims Group UK Limited was also honoured to have its name posted on the Health and Safety Executives' website as a case study of industry best practice, and was again highlighted for its safe working practices in an article in the Chartered Institute of Waste Management magazine.

### Sims Recycling Solutions

Sims Recycling Solutions continued its impressive growth with sales revenue of \$450.2 million, up 79% on the previous year and EBIT of \$66.9 million (pre-corporate costs), up 82%. The division delivered a very encouraging result and its contribution to Group EBIT (net of corporate costs) for the year was 14.1%. This increased to 16.1% (net of corporate costs) in the fourth quarter.

During the year, we opened new E-recycling facilities in Sint Niklass, Belgium and Norköping, Sweden, and committed to extend our infrastructure and install new processing capacity at our Newport plant in the UK in order to treat and recycle electrical and electronic equipment arising in the UK under recently passed legislation.

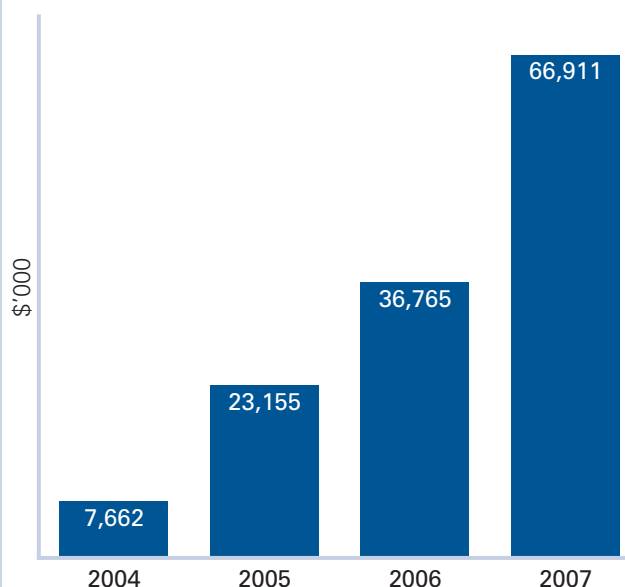
Sims Recycling Solutions expanded its physical infrastructure in Europe with the acquisition, in October 2006, of Metall + Recycling GmbH (M+R), one of Germany's most innovative recycling specialists. M+R is a specialist recycler of electrical and electronic equipment and a processor of non ferrous metals produced as a by-product of conventional scrap metal shredding plants. It utilises unique technology to maximise the recovery of metallic and non-metallic materials, and recycles over 100,000 tonnes annually. M+R delivers exceptional procurement, technical, marketing and processing synergies and has been rapidly integrated into our existing European business.

During the second half of the year, we completed the acquisition of two transformational North American E-recycling businesses.

Firstly, in March 2007, we acquired United Recycling Industries (URI) of Chicago. URI was a privately owned fully integrated recycler offering a full range of recycling services, including collection, refurbishment and re-sale of working equipment, chip recovery for re-sale, mechanical processing of monitors, mechanical recycling of e-waste and secondary smelting and refining of high grade electronics material.

Secondly, in May 2007, we acquired the end of life recycling assets of Noranda Recycling Inc., formerly Xstrata Copper Canada's electronics recycling business, in Roseville (California), Brampton (Canada) and Nashville (Tennessee). The three Noranda facilities offer bespoke asset recovery and E-recycling services including mechanical processing for a blue chip client base.

### SIMS RECYCLING SOLUTIONS - EBIT





These two North American acquisitions, at a combined cost of approximately US\$60 million, are expected to generate over US\$14 million in EBITDA in their first full 12 months of ownership and will serve as the platform for further growth in the rapidly growing North American market. Combined, the two businesses will handle in the region of four million units per annum. The focus of our North American operations is primarily B2B electronics recycling, but we expect to participate in future legislation across the 50 US States and expand into B2C end-of-life recycling, more akin to our European business. The enlarged business will be well placed to offer its increasingly global client base a comprehensive portfolio of environmentally led recycling services.

Sims Group is now the largest global, as well as the largest North American, electronics recycler handling in excess of an estimated 25 million computers, computer monitors and TV sets, refrigerators, toner cartridges and other smaller electrical appliances per annum.

Sims Recycling Solutions has now delivered four years of significant earnings growth and is poised to continue to pursue opportunities globally via both acquisition and greenfield development.

### **Sustainability**

Sustainability remains a key focus of our day-to-day activities. Our recycling operations continue to generate positive environmental outcomes for customers and the communities in which they operate. The consumption of our recyclables by steel and other manufacturers not only preserves precious resources, but also saves significant amounts of energy, water and landfill space, and reduces associated emissions. We are also focused, as a consumer of resources to achieve positive recycling outcomes, on continuing to enhance the sustainability of our operations and reduce the overall carbon footprint of the Company. In the coming year, we will do even more to foster sustainability. More information can be found later in this report under the heading 'Managing Sustainability'.

### **Safety**

Despite our continuing strong commitment to safety, the Group's lost time injury frequency rate rose slightly for the second consecutive year. Tragically, we also experienced a fatality in the UK during the year. Safety is a matter of paramount concern for Sims' directors and management. We must, and will, redouble our energies to continue to provide a safe working environment for our employees and the public.

### **Markets and outlook**

The Company believes that the global environment for metals prices will remain strong. To an extent, this will be offset by intensive buy price competition to source material, particularly in the UK and US North-East, and from container shippers. Bulk ocean freight rates are also expected to remain high.

In the year ahead, we will continue to invest in best available technology to enhance the non ferrous and plastic recoveries from the waste streams generated by our shredder operations and which is currently sent to landfill. Recent improvements in technology combined with higher non ferrous prices, the increasing importance of secondary plastics and the need, in Europe, to meet legislative targets, offers the Company an important opportunity which we intend to capture.

We remain confident about the Company's prospects in the year ahead.



**Proposed Metal Management, Inc. merger**

Since the end of the year, we announced what we believe will be a transformational transaction for your Company, namely the proposed merger with US-based Metal Management, Inc. While completion is still subject to a number of conditions, including Metal Management shareholder approval, we are excited about the merger as it provides a unique opportunity to grow our North American position, following the acquisition of the recycling operations of Hugo Neu Corporation in October 2005, and will create significant value for both Sims Group and Metal Management shareholders. More detailed information on the proposed merger can be found next in this report under the 'CEO Questions & Answers' section.

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Finally, the importance of our employees and the contribution they have 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 contributing to this year's record result.



P K Mazoudier  
**Chairman**



J L Sutcliffe  
**Group Chief Executive**



## CEO QUESTIONS & ANSWERS

on the proposed merger with Metal Management

**Q: What is the proposed merger all about?**

A: The proposed merger with US-based Metal Management, Inc ('MM') is a significant event in the history of Sims. It will strengthen our position globally as the world's largest listed metal recycler and create the largest metal recycling business in North America. By merging the two companies, we will be creating an even stronger business, with premium assets and a solid foundation on which to grow further. The deal is absolutely consistent with our strategy to grow our core metals recycling division internationally, something we've been doing successfully for a while now!

**Q: What will the proposed merger involve?**

A: The proposed stock-for-stock merger will involve the issue by Sims to MM shareholders of 2.05 New York Stock Exchange-listed Sims' American Depositary Receipts for each MM share they hold.

**Q: What is the proposed merger worth?**

A: The proposed merger values MM at approximately US\$1.6 billion (including debt), which represents a 13.1% premium to the volume-weighted average price of MM shares for the one month period ended 21 September 2007. Based on the earnings of both companies for the year ended 30 June 2007, the proposed merger will be accretive on an earnings per share, pre-synergies, basis.

**Q: What will be the relative ownership in the merged group if the proposed merger proceeds?**

A: Existing Sims' shareholders will own approximately 70% and existing MM shareholders will own approximately 30% of the new merged group.

**Q: Who is MM?**

A: MM is one of the largest metal recyclers in the US, with 53 recycling facilities located in 17 States. It is publicly-listed on the New York Stock Exchange and has achieved impressive growth in earnings and enterprise value over the last five years under the leadership of Dan Dienst. MM has leading positions in many US metropolitan markets, including Chicago, Cleveland, Denver, Detroit, Houston, Memphis, Newark NJ, Phoenix, Pittsburgh, Salt Lake City, Toledo and Tucson.

**Q: If the proposed merger proceeds, will there be any board or management changes?**

A: Yes. One of the benefits of the merger will be the further strengthening of our management team. The Sims Metal Management board will initially consist of seven existing Sims' directors and five existing MM directors. Paul Mazoudier will remain Chairman after the merger and I will continue with Sims as an Executive Director until at least October 2009. I will also chair Sims' metal recycling operations in Australasia and Europe as well as Sims Recycling Solutions globally. Daniel Dienst, the current Chairman, CEO and President of MM, will become the new Group CEO after the merger. He will chair the combined North American business, initially concentrating on integration and the delivery of projected synergies.



**Q: If the proposed merger proceeds, will Sims remain committed to Australia?**

A: Yes. Sims is, and will remain, listed on the Australian Securities Exchange. However, as the majority of our business operations will be in the US and future growth opportunities will largely be in North America and Europe, it makes strategic sense to move our head office to the US.

**Q: How much larger will the Group be if the proposed merger proceeds?**

A: Based on the value of Sims and MM in September 2007, Sims MM will have an estimated market capitalisation of approximately A\$5.6 billion. We will have 200 operations, sales volumes of over 15 million tonnes, sales revenue exceeding A\$8.5 billion, and over 5,800 employees globally.

**Q: Will Sims change its name?**

A: Yes. If the proposed merger proceeds, Sims will change its name to Sims Metal Management – the combination of the existing names of both companies, at its 2009 AGM.

**Q: How will the proposed merger benefit Sims' shareholders?**

A: The merger is strategically compelling and value enhancing for shareholders. Sims has a very strong track record of generating strong returns from its international acquisitions. Our transaction criteria have been developed over the years and this merger meets all of these requirements. In addition, the transaction consideration is 100% equity. This ensures that the merged group will have a very strong financial position and be capable of pursuing further growth opportunities.

**Q: What's going to happen to our dividends as a result of this?**

A: The merged group will generate a higher proportion of its earnings outside Australia. This will reduce its capacity to frank dividends. Going forward, we will evaluate the most effective means to provide returns to shareholders, including dividends, share buybacks and other capital management alternatives. At the outset, it is contemplated that the merged business will return in the order of 45% to 55% of net profit after tax to shareholders.

**Q: How much debt will the new group have?**

A: As MM is currently less geared than Sims, net debt as a percentage of equity will actually decrease. Gearing levels remain conservative and provide Sims MM with the ability to take advantage of further opportunities that present themselves.

**Q: Are there any conditions to be satisfied before the proposed merger goes ahead?**

A: Completion of the proposed merger is conditional on a number of things, the most critical being MM shareholder approval. If the proposal is not passed by MM shareholders, then Sims will continue to operate the same successful business that has seen it become one of the world's leading recycling companies.

**Q: What is the timetable?**

A: Sims and MM expect to file a combined registration and proxy statement with the US SEC as soon as possible. These will then be sent to MM shareholders and the MM shareholder meeting is expected to occur no later than early 2008 calendar year.



### Overview

We are in the fortunate position of being an inherently “green” company. Recycling preserves precious resources, saves significant amounts of energy, water and landfill space, and reduces associated emissions.

In the 2007 financial year alone, the use by steel manufacturers of our ferrous scrap (as opposed to virgin materials) generated embedded energy savings of 105 peta Joules (1pJ equals  $10^{15}$  Joules), which is enough to power almost 40% of Australian homes for one year, and CO<sub>2</sub> emission reductions in the order of 10.3 million tonnes.

The use of our recycled non ferrous metals and plastics (as opposed to virgin materials) also resulted in very significant embedded energy savings and CO<sub>2</sub> emission reductions. For example, the electronic equipment recycled by Sims Recycling Solutions reduced CO<sub>2</sub> emissions by 625,000 tonnes in the 2007 financial year.

Add to this, the greenhouse abatement from green energy provider, LMS Generation Pty Ltd (of which we have a 50% interest), of over 1.2 million tonnes of CO<sub>2</sub> equivalent, and it is easy to understand why we are a major contributor to a better world.

As a consumer of energy to provide important recycling outcomes, we also made significant headway in our efforts to increase the environmental sustainability of operations and reduce our overall carbon footprint.

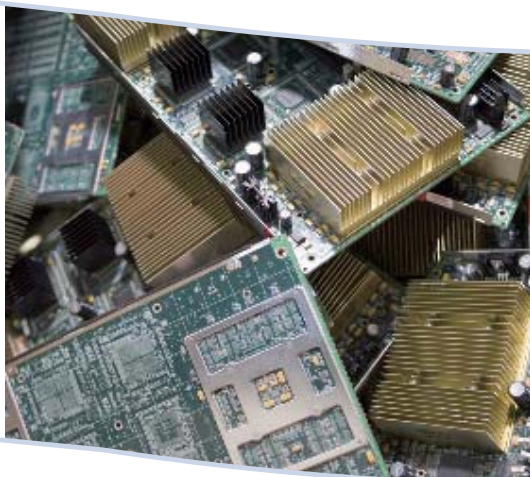
We remain strongly committed to corporate sustainability reporting. In 2006, we committed to report on the key performance indicators of:

- :: Energy Use
- :: Water Use
- :: Waste Generation
- :: Key OH & S indicators
- :: Employee Retention
- :: Employee Diversity
- :: Industrial Relations
- :: Training and Development

These key performance indicators, together with reporting on fiscal parameters and corporate governance, form the basis of our response to the benchmark guidelines as set out in the Global Reporting Initiative (G3).

The parameters above fall within the three main areas of:

- :: **Environment**
- :: **Occupational Health and Safety**
- :: **People and Diversity**

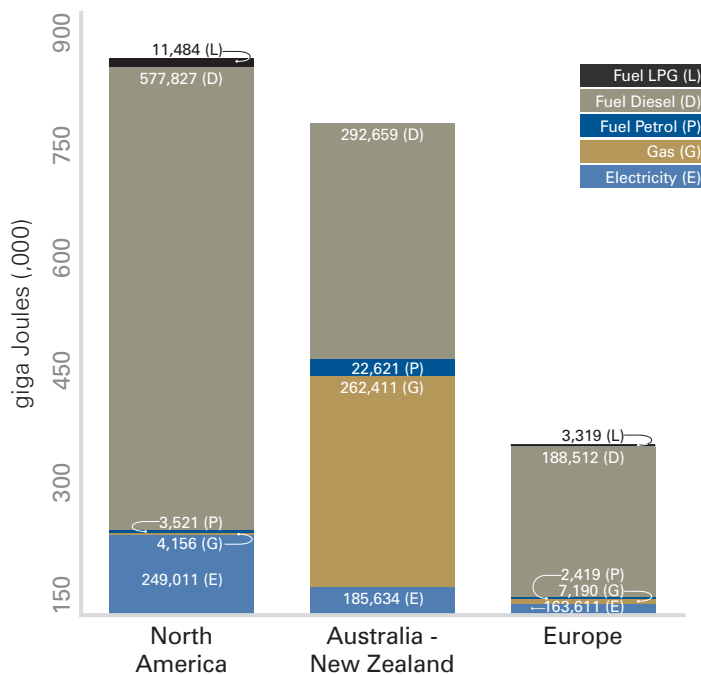


## Environment

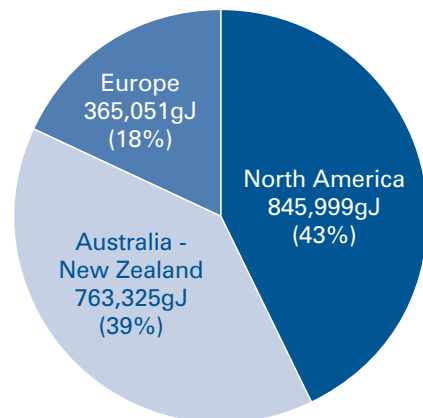
### :: Energy use

- + **Energy Policy:** We are committed to reducing the energy used in our day-to-day operations. By conserving energy, we can operate more cost effectively and reduce the impact of our activities on the environment. The Sims Group Energy Policy (a copy of which is available on our website) has been formulated to communicate the overall energy objectives, including the:
  - use of commercially viable energy efficient production and transport processes;
  - progressive decrease in the use of non-renewable energy sources (where commercially viable); and
  - use of liquid and gaseous fuels that reduce greenhouse gas emissions.
- + **Fuel and electricity use:** During the 2007 financial year, we consumed just under two peta Joules of energy globally. Diesel fuel consumption was the most significant source of energy, followed by electricity and gas (which is primarily used in our Australian Aluminium division), with petrol being a relatively minor contributor. The break-up by region and sources are shown below:

ENERGY CONSUMPTION PER REGION



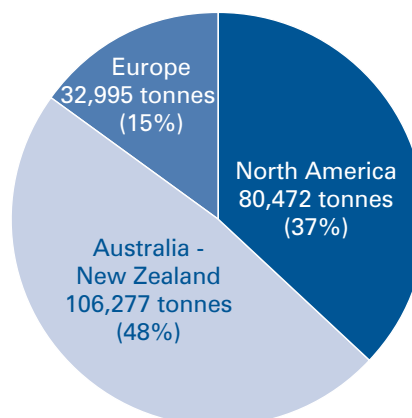
TOTAL ENERGY CONSUMPTION PER REGION



- + **Carbon footprint:** The energy we consumed during the year can be converted into an equivalent CO<sub>2</sub> footprint. The factors used to convert energy into CO<sub>2</sub> vary depending on the primary sources of energy used in that region (for example, coal vs. hydropower). The conversion factors used are those recommended by The Greenhouse Gas Protocol Revised Edition (World Business Council Sustainable Development and World Resources Institute) and include direct greenhouse gas emissions by the Company (Scope 1) as well as indirect greenhouse gas emissions arising as a result of externally purchased power (Scope 2). It does not include emissions from sources under external operational control, such as service providers to Sims Group (Scope 3).

Our total CO<sub>2</sub> footprint for the 2007 financial year was 219,744 tonnes of CO<sub>2</sub> equivalent, which is slightly less than that reported for the 2006 financial year.

**TONNES OF CO<sub>2</sub> EMISSIONS EQUIVALENT (SCOPE 1+2) PER REGION BASED ON ENERGY CONSUMPTION**



- + **Energy Efficiencies and Opportunities (EEO) Act:** We have registered under the EEO Act and are initially targeting energy improvement programs for sites that constitute 80% of our total energy consumption, not just in Australia, as required under the Act, but also globally. Management in each region is tasked with defining energy reduction programs for each operation, and monitoring and reporting on progress on a regular basis. Overall progress is reported to the Company's directors via the Safety, Health, Environment and Community (SHEC) Committee.
- + **Carbon Disclosure Project (CDP5):** For the second year in succession, we participated in the Carbon Disclosure Project. This project provides a secretariat for the world's largest institutional investors to collaborate on the business implications of climate change by monitoring the performance of companies in this area. Full details are available from the CDP5 website ([www.cdproject.net](http://www.cdproject.net)) and an abbreviated version of the Company's submission is available on our website.
- + **Green energy:** This year, our 50%-owned LMS Generation Pty Ltd (LMS), commissioned new renewable energy power generation facilities at Wollert (Northern Victoria), Awaba (New South Wales), Launceston (Tasmania) and Hallam Road (South Eastern Victoria), bringing the total installed capacity to an average of 10 million kWh per month.

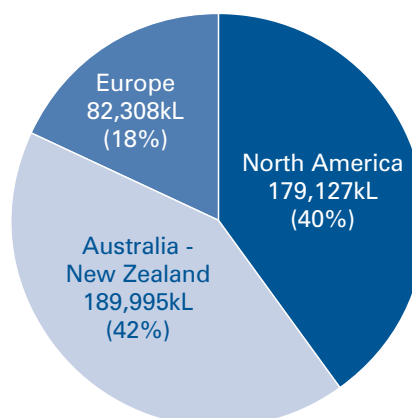
For the 2007 financial year, the generation projects owned by LMS generated approximately 108,000 Renewable Energy Certificates (RECs) and 250,000 NSW Greenhouse Abatement Certificates (NGACs) and are currently generating green power for over 15,000 homes, 24 hours a day, seven days a week. In addition, the greenhouse gas abatement from LMS projects during the year generated emission reductions exceeding 1.2 million tonnes of carbon dioxide equivalent, providing a significant contribution to Australia's efforts in reducing global warming.

## :: Water use

- + Wherever possible, we strive to conserve water through a range of devices as well as operational practice initiatives. For example, a number of our processing yards capture storm water in closed systems, where it is subsequently used for production, such as in dust suppression or mill injection. However, as many yards are too small and flat to facilitate central drainage and capture of storm waste, it is not always feasible to do this. Furthermore, the drought in some regions of Europe and Australia has impacted the viability of such initiatives and, consequently, there is still a significant reliance on town water in most regions.

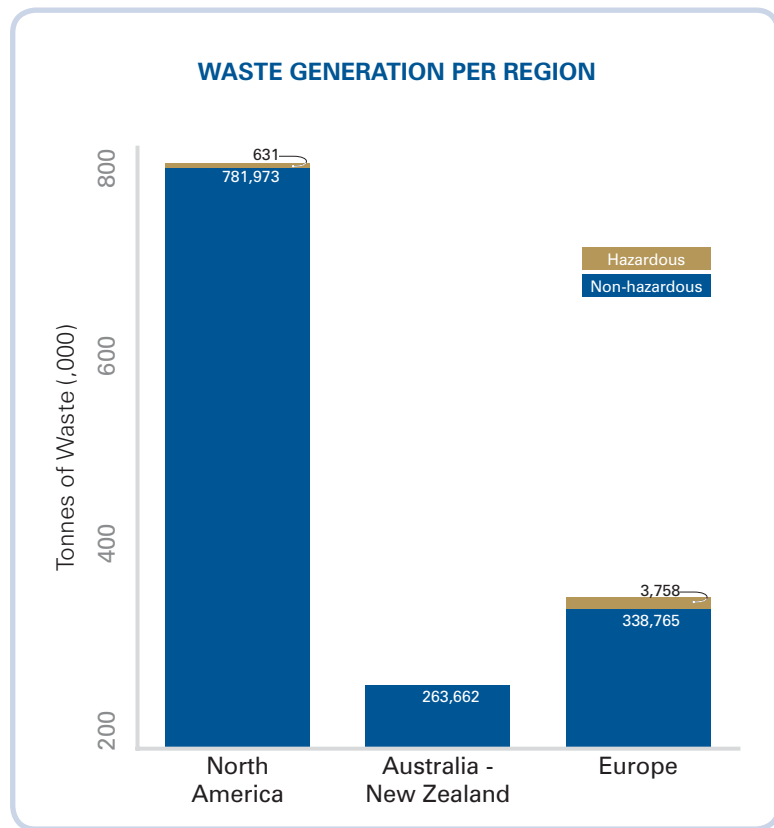
As part of our sustainability agenda, we will continue to examine ways of reducing water consumption.

**WATER CONSUMPTION PER REGION**



## :: Waste generation

- + We have for many years encouraged manufacturers to reduce the amount of non-recyclable materials in consumer goods. Unfortunately, as manufacturers utilise more low value materials to keep production costs down, the trend is worsening. While we continue to invest in increasingly sophisticated recovery systems and research and development to increase the percentage of materials recovered, there is a significant residual waste stream that cannot be economically recycled. Furthermore, Governments have introduced waste levies that significantly add to the cost of waste disposal, lowering the recycling outcomes that we can deliver within an economic framework.
- + Our end-of-life recycling processes also contribute positively to the environment by capturing hazardous substances and destroying them in specially approved facilities. For example, the CFCs embedded in the insulation foam of refrigerators are captured in our state-of-the-art fridge recycling plant in the UK, eliminating a significant ozone depleting compound.



## :: Environmental

- + **Accreditation:** We continue to progress our environmental and OH&S certifications.
  - **Europe:** Sims Recycling Solutions has been rolling out ISO14001 to all its operations in Europe, ensuring the business continues to develop and improve its regulatory compliance record and operational excellence. All operations, apart from three sites scheduled for certification in 2008, now hold this level of accreditation. The Metal Recycling division in the UK continues to retain ISO9001 certification at Nottingham and ISO14001 certification at Yateley.
  - **North America:** We continue to examine the value of either ISO accreditation or the specifically tailored environmental system, RIOS, developed by the Institute of Scrap Industries, at our operations.
  - **Australia:** Our Victorian and South Australian Metal Recycling businesses, as well as the Sims E-recycling and our Aluminium operations, have been accredited under ISO14001, with the remainder of sites complying with ISO 9001. A number of operations are scheduled to attain ISO14001 accreditation during the 2008 financial year.
- + **Audit program:** We have for many years had a comprehensive environmental audit program in place. So that each operation can access its data status and actions for improvement on an interactive and continual basis, during the 2007 financial year the program was progressively transferred to an intranet based system. The system, developed internally, has received wide recognition as being 'beyond best practice' and allows environmental progress to be tracked continuously. Environmental performance is monitored by qualified environmental managers and reported to the Company's directors via the SHEC Committee.
- + **Environmental incidents:** While we have comprehensive systems in place for education, management and monitoring of environmental matters, we are not error free, and incidents did occur during the 2007 financial year.
  - **Europe:** While some improvement notices were issued, no fines or breaches were incurred. A major fire occurred at the Sims Recycling Solutions' facility in Sweden, but no environmental breaches were noted.



- **North America:** We entered into a number of consent agreements to improve environmental performance in relation to soil and water issues in California, as well as with respect to one incident of oil released from a barge into the barge slip. A fire occurred at our Redwood City facility, but no injuries, material damage or citations were incurred.
- **Australia:** We did not record any material environmental incidents during the year.
- + **Sustainability Indices:** During the year, we participated, for the first time, in the FTSE4Good sustainability index. This index, compiled on behalf of the FTSE4Good by the Centre for Australian Ethical Research, provides important and comprehensive data for investors interested in a company's performance as it relates to corporate sustainability. We are also currently examining possible participation in the Dow Jones Sustainability Index. We are incorrectly classified as a 'mining' or 'smelting' related company in many of the sustainability indices, an issue that we are attempting to address.

### Occupational Health and Safety

OH&S remains a top priority for us.

Despite our continuing strong commitment to safety, it is apparent that, after a period of significant improvement in our Lost Time Injury Frequency Rate (that is, the number of LTIs multiplied by one million, divided by hours worked), a plateau has been reached. We must, and will, redouble our energies to continue to provide a safe working environment for our employees and the public.

Sadly, we recorded a fatality in the UK during the year. This serves as a tragic reminder of the ever present dangers within the industry, and the imperative of strong and effective OH&S systems and a workforce committed to staying safe and healthy.

We recognise that every incident provides an important insight into possible causes and mitigation measures, and we will continue to monitor and analyse all OH&S events, including minor incidents and near misses.

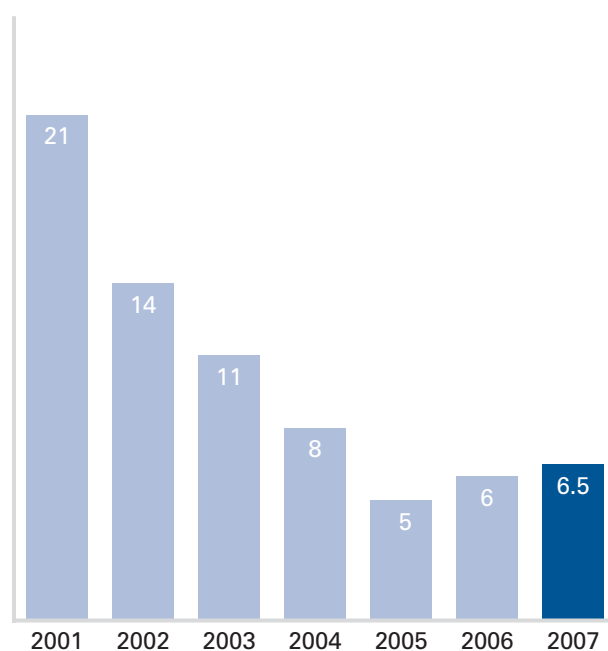
Specific initiatives and achievements in the 2007 financial year included:

**Europe:** Sims Recycling Solutions in the UK received the coveted OHSAS18001 accreditation, and is committed to extending this to all its European operations in 2008. We were also awarded "Best Commitment to Health and Safety Practices" in the National Recycling Awards. 3,000 Observational Behaviour Audits (OBAs) were conducted during the year. The steps taken to prevent accidents through a robust health and safety system in the UK have resulted in a 90% reduction in the LTIFR and a 55% reduction in overall accident frequency over a five year period. In addition, the Government's Health and Safety Executive has included us on its website as a case study of best practice ([www.hse.gov.uk/waste/casestudies.htm](http://www.hse.gov.uk/waste/casestudies.htm)).

**North America:** We performed more than 3,000 OBAs where supervisors observe employee work practices and either correct poor practices or complement safe behaviour. The BIG3 program, which specifically addresses lockout, machine guarding and fall protection issues, was successfully introduced, as was the "Move to Zero" program, comprising a list of ten critical life saving actions. A number of broad issues, such as fire safety, root cause analysis, and transport and contractor safety management were also addressed.

**Australia:** A total of 507 site safety committee meetings were held during the 2007 financial year, with more than 450 site checklist audits conducted by site staff. This was complemented by 57 national safety and risk compliance audits carried out by senior staff. In addition, a series of external audits involving safety, fire, property, public and product liability exposures was conducted by insurance risk experts as part of an ongoing program over several years. The Australian Best Practice Safety Committee continued to analyse ideas and issues to develop better procedures for safety, including accident investigation methodology and psychological aspects of safety culture. Specifically articulated annual safety and training plans, including induction programs, are in place, and all line management have safety performance linked to their remuneration. More than 3,590 OBAs were conducted during the year. The OBA concept will continue in 2008 and be further developed to improve on this best practice approach.

#### LOST TIME INJURY FREQUENCY RATE



### People and Diversity

Our workforce displays a very high degree of cultural, economic and social diversity. We adapt to local conditions in each of the countries in which we operate and foster local hiring. Ensuring a balanced and capable workforce is a key component of our 'sustainability' philosophy. We have over 3,700 employees, approximately 94% of whom are fulltime and 6% of whom are employed under flexible work arrangements. We also enjoy high retention rates, averaging above 90%.

We have a strong management team and acquiring additional talented managers during the year was a key resourcing initiative. Providing feeder pools for future management positions was a well supported initiative. Each major region implemented programs to hire and develop graduates. Australia has a well established graduate program, where employees undergo structured development rotations throughout the business. In Australia, we were a finalist in the prestigious 2006 'Best Graduate Program'. Europe and North America also implemented graduate programs during the 2007 financial year, with North America extending its reach by hiring a number of 'interns' during summer vacation periods.

Our management teams comprise a blend of youth and experience, with the majority of managers having spent many years working in the industry. Management and supervisory levels make up approximately 15% of our workforce.

Promoting gender equality is a priority for us. However, allowance needs to be made for the physical hardship many of our processing and operational activities entail.

This explains why we employ a smaller proportion of women in these activities (4.6% worldwide), compared to administrative and professional positions (44%).

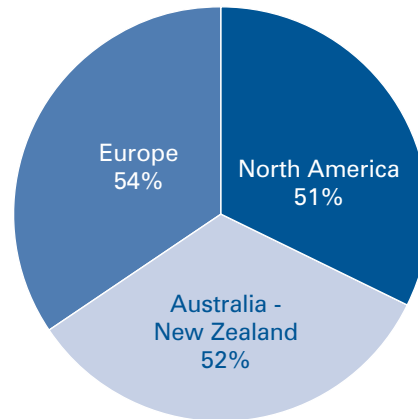
Many of our employees are engaged in processing and operational activities. Where possible, improvements are continually being made to those employees' working conditions in the form of better facilities and more training. In some locations, programs are being developed in partnership with local community groups to provide training to improve the literacy skills of such employees.

Of our employees located in Europe, North America and Australasia, 25%, 48% and 46% respectively are represented by independent trade union organisations or covered by a collective agreement.

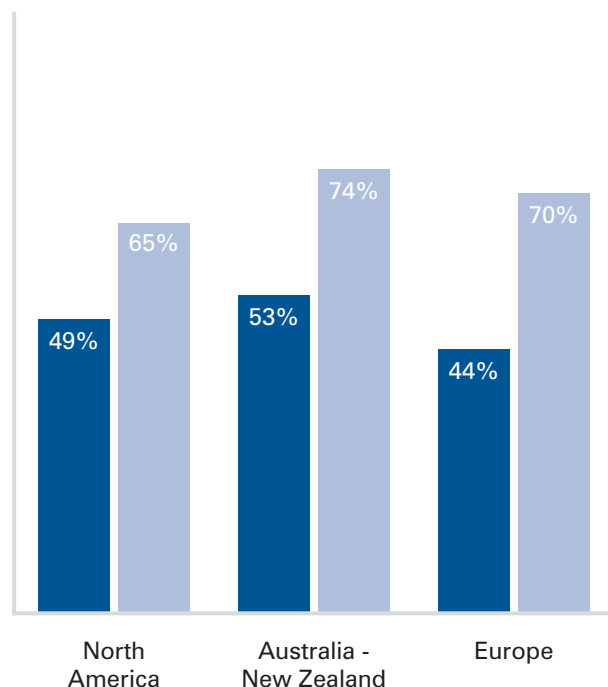
All of our employees are represented in formal joint management/worker health and safety committees that help monitor and advise on OH&S programs.

Performance reviews and career management are important areas. The majority of management and staff positions receive regular performance and career development reviews. There has been an increased focus on training in 2007, with the appointment of two additional (female) training and development managers. Programs are being developed and implemented in response to skill needs analysis as well as development activities that help employees meet their career development needs and equip them with skills to undertake greater responsibility. Due to the limited numbers of experienced workers in the industry generally, programs are being developed in partnership with local education facilities. These initiatives will help provide a pipeline of skilled resources, particularly in roles difficult to recruit.

**PERCENTAGE OF MANAGERS  
AGED BETWEEN 30 - 49 YEARS**



**PROCESSING/OPERATION EMPLOYEES**



Percentage of employees in processing/operations aged between 30-49 years

Processing/operation employees as a percentage of Total Workforce (FTE)

**Paul Mazoudier - BA, LLB (Hons) ①****:: Chairman - 14,082 shares (age 65)**

Chairman of the Company since 1999 and independent non-executive director since 1991. Chairman Remuneration Committee and Nomination Committee. Member Safety, Health, Environment & Community Committee and Risk & Audit 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).

**Jeremy Sutcliffe - LLB (Hons) ②****:: Group Chief Executive – 52,255 shares (held pursuant to Company's Executive Long Term Incentive Plan), 95,930 performance rights (age 50)**

Director since 2002. Member Safety, Health, Environment & Community Committee, Finance & Investment Committee and Nomination Committee. Vice President and Board member of the Ferrous Division of the Bureau of International Recycling, and member of 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. Chairman of Sims Group USA Holdings Corporation.

**Ross Cunningham - B.Sc. (Metallurgy), MBA ③****:: 10,417 shares (held pursuant to Company's Executive Long Term Incentive Plan), 29,978 performance rights (age 62)**

Director since 1984. Member Finance & Investment Committee. Fellow of the Australian Institute of Company Directors. 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 & Strategy. Director of other Sims Group Limited subsidiaries and associated companies.

**Michael Feeney - B. Com (Marketing) ④****:: 25,504 shares (age 61)**

Independent non-executive director since 1991. Chairman Risk & Audit Committee. Member Remuneration Committee and Nomination Committee. Formerly Executive Director, Collins Partners Corporate Advisory and prior to that Finance & Strategy Director for Philip Morris, Executive Director, Strategy and Corporate Affairs for Elders IXL and Executive Director, Corporate Strategy of Elders Resources NZFP.

**Geoffrey Brunsdon - B.Com ⑤****:: 3,497 shares (age 49)**

Independent non-executive director since 1999. Chairman Finance & Investment Committee and member Nomination Committee. Head of Investment Banking, Merrill Lynch Australia. He is a Chartered Accountant, a Fellow of the Financial Services 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).

**Paul Varello BCE - (Civil Engineering) ⑥****:: 4,600 shares (age 63)**

Independent non-executive director since 2005. Member Finance & Investment Committee and Remuneration Committee. President and CEO of Commonwealth Engineering and Construction of Houston, Texas. Prior to founding Commonwealth Engineering in 2003, was Chairman and CEO of American Ref-Fuel Company. In addition, spent 25 years in the engineering and construction industry. A registered professional engineer and a member of the American Society of Civil Engineers and the American Institute of Chemical Engineers. Director of the publicly held Ryland Group, one of the largest homebuilders in the US.

**Bob Every - B.Sc., PhD (Metallurgy) ⑦****:: 4,000 shares (age 62)**

Independent non-executive director since 2005. Chairman Safety, Health, Environment & Community Committee and member Finance & Investment Committee. He was most recently Managing Director and Chief Executive Officer of OneSteel Limited and Chairman of Steel and Tube Holdings Limited in NZ and, before that, was President of BHP Steel. Is a Fellow of both the Australian Academy of Technological Sciences & Engineering and the Australian Institute of Company Directors. Director of Iluka Resources Limited (since 2004) and Wesfarmers Limited (since 2006).

**Chris Renwick AM, FAIM, FAIE, FTSE - BA, LLB ⑧****:: Nil shares (age 64)**

Independent non-executive director since 12 June 2007. Member Risk & Audit Committee and Finance & Investment Committee. He was employed with the Rio Tinto group for over 35 years rising, in 1997, to Chief Executive, Rio Tinto Iron Ore, a position he held until his retirement in 2004. Chairman and Director of Coal and Allied Industries Limited (since 2004) and Director of Downer EDI Limited (since 2004) and Transurban Limited (since 2005).

**Mike Iwanaga - Bachelor of Liberal Arts ⑨****:: Nil shares (age 66)**

Non-independent non-executive director since 12 June 2007. Member Safety, Health, Environment & Community Committee, Risk & Audit Committee and Nomination Committee. Member of the Australia & New Zealand Chamber of Commerce in Japan. He Joined Mitsui & Co., Ltd in 1963 and worked in various divisions of that company culminating in his appointment, in 1999, as President & Managing Director, Mitsui Iron Ore Development, a position he held until his retirement in 2005.

John Neu was a director from the beginning of the financial year until his resignation on 6 June 2007.



The board of the Company considers that, as at 30 June 2007, 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 for 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](http://www.sims-group.com), clicking on 'Corporate 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 (that is, 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 pages 14 and 15 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.

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 22 of this annual report. The Nomination Committee has adopted a charter. A copy of this document is available at [www.sims-group.com](http://www.sims-group.com), clicking on 'Corporate 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](http://www.sims-group.com), clicking on 'Corporate 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](http://www.sims-group.com), clicking on 'Corporate 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 22 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 2007:

- :: 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 a Risk & Audit ("Audit") Committee. The names of Audit Committee members, their qualifications and their attendance at Audit Committee meetings are set out on page 22 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](http://www.sims-group.com), clicking on 'Corporate 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](http://www.sims-group.com), clicking on 'Corporate Governance' and then 'Market Disclosure Policy'.

**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](http://www.sims-group.com), clicking on 'Corporate Governance' and then 'Shareholders Communication'.

**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](http://www.sims-group.com), clicking on 'Corporate Governance' and then 'Risk Mgt Policy & Internal Control'.

The board has established a Safety, Health, Environment & Community ("SHEC") Committee, which operates in accordance with its charter. The names of SHEC Committee members and their attendance at SHEC Committee meetings are set out on page 22 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](http://www.sims-group.com), clicking on 'Corporate Governance' and then 'Performance Evaluation Process'.

As the board was reconstituted following the sale by Hugo Neu Corporation of a material part of its interest in the Company to Mitsui in June 2007, a detailed performance evaluation of the board and its members was not undertaken during the financial year ended 30 June 2007.

**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 22 of this annual report.

The Remuneration Committee has adopted a charter. A copy of this document is available at [www.sims-group.com](http://www.sims-group.com), clicking on 'Corporate Governance' and then 'Remuneration Committee Charter'.

Information on the Company's remuneration policies is set out on pages 24 to 40 of this annual report.

Directors' Report	21
Income Statements	41
Balance Sheets	42
Statements of Recognised Income and Expense	43
Statements of Cash Flows	44
Notes to the financial statements	45
Directors' Declaration	96
Independent Audit Report	97
Auditor's Independence Declaration	100
Shareholder Information	101
Ten Year Trend Summary	102

#### Notes to the financial statements

1	Summary of significant accounting policies	45
2	Financial risk management	56
3	Revenue	57
4	Other income	57
5	Expenses	57
6	Remuneration of auditors	58
7	Income tax	59
8	Trade and other receivables	60
9	Inventory	60
10	Investments accounted for using the equity method	60
11	Other financial assets	60
12	Property, plant and equipment	61
13	Deferred tax assets	62
14	Intangibles	63
15	Trade and other payables	63
16	Borrowings	64
17	Tax liabilities	64
18	Provisions	65
19	Retirement benefit obligations	66
20	Contributed equity	70
21	Statements of changes in equity	71
22	Reserves and retained profits	71
23	Dividends	72
24	Contingent liabilities	73
25	Capital expenditure commitments	73
26	Lease commitments	73
27	Share ownership and option plans	74
28	Key management personnel disclosures	76
29	Subsidiaries	79
30	Investments in associates	84
31	Interests in joint ventures	85
32	Related party transactions	86
33	Segment reporting	88
34	Earnings per share	90
35	Cash flow information	91
36	Non-cash investing and financing activities	92
37	Derivative financial instruments	92
38	Interest and credit risk exposures and fair values of financial assets and liabilities	95
39	Critical accounting estimates and judgements	95



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 2007.

## 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 pages 16 and 17 of this annual report.

## Company Secretary

The Group company secretary is Mr F M 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.

## Principal Activities

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 \$254.4 million.

## Dividends

The financial 2006 year partly franked (51%) final dividend of 60 cents per share referred to in the directors' report dated 1 September 2006 was paid on 20 October 2006. A partly franked (57%) interim dividend of 60 cents per ordinary share for the financial 2007 year was paid on 13 April 2007. Since the end of the financial year the directors have recommended the payment of a partly franked (51%) final dividend of 60 cents per fully paid share to be paid on 19 October 2007 out of retained profits at 30 June 2007.

## Review of Operations

A review of the operations of the consolidated entity during the year and the results of those operations are set out in the Chairman's and Group Chief Executive's Report on pages 2 to 7 of this annual report.

## Significant Changes in the State of Affairs

The directors are not aware of any significant change in the state of affairs of the Company during the financial year other than as set out in the Chairman's and Group Chief Executive's Report on pages 2 to 7 of this annual report.

## Subsequent Events

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

## Likely Developments

Information as to the likely developments in the operations of the consolidated entity 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. Further information on the consolidated entity's performance in relation to environmental regulation is set out on pages 10 to 14 of this annual report.





**Directors' Meetings**

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

	Board of Directors	Risk & Audit Committee	Safety, Health, Environment & Community Committee	Remuneration Committee	Finance & Investment Committee	Nomination Committee
<b>Meetings Held</b>	<b>13</b>	<b>8</b>	<b>5</b>	<b>7</b>	<b>4</b>	<b>1</b>
Paul Mazoudier	13	8	5	7	-	1
Geoffrey Brunson	12	-	-	-	4	1
Jeremy Sutcliffe	13	-	5	-	4	1
Ross Cunningham	13	-	-	-	4	-
Michael Feeney	13	8	-	7	-	1
John Neu	10 <sup>1</sup>	-	5 <sup>1</sup>	-	3 <sup>1</sup>	-
Paul Varello	13	6 <sup>3</sup>	-	7	1 <sup>2</sup>	-
Bob Every	13	-	5	-	4	-
Chris Renwick	- <sup>2</sup>	- <sup>2</sup>	-	-	- <sup>2</sup>	-
Masakatsu Iwanaga	2 <sup>2</sup>	- <sup>2</sup>	- <sup>2</sup>	-	-	- <sup>2</sup>

1 resigned 6 June 2007

2 appointed 12 June 2007

3 resigned 12 June 2007

**Insurance and Indemnification of Officers**

During the year, the Company had contracts in place 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 or the amount of the premium paid as such disclosure is prohibited under the terms of the contracts.

**Share Options Granted to Directors and Relevant Group Executives**

36,738 shares in the Company's Executive Long Term Incentive Plan ("LTI Plan") were issued to JL Sutcliffe on 28 July 2006. 10,417 shares in the LTI Plan were issued to RB Cunningham on 28 July 2006. 8,185 shares in the LTI Plan were issued to DR McGree on 28 July 2006. 3,003 and 2,788 performance rights were issued to G Davy and WT Bird respectively on 28 July 2006. 44,803 Performance Rights were issued to Mr G Davy on 1 July 2007. Further details of those share options issued during the financial year can be found in section E of the remuneration report on page 36 of this annual report.

**Shares Under Option**

Unissued ordinary shares of the Company under option at the date of this report are as follows:

**LTI Plan shares:**

Date granted	Expiry date	Issue price	Number under option
22 July 2005	22 July 2010	\$14.99	59,803
28 July 2006	28 July 2011	\$18.73	131,545

**Performance Rights:**

Date granted	Expiry date	Issue price	Number under option
6 October 2005	31 October 2010	Nil	95,930
18 November 2005	30 June 2008	Nil	29,978
28 July 2006	28 July 2009	Nil	16,359
10 July 2006	30 June 2009	Nil	10,444
1 July 2007	30 April 2010	Nil	44,803

## Restricted Stock Units:

Date granted	Expiry date	Issue price	Number under option
1 November 2005	30 June 2009	Nil	142,346
28 July 2006	30 June 2009	Nil	11,028

Holders of shares pursuant to the LTI Plan have certain rights under their terms to participate in share issues of the Company. No holder of performance rights or restricted stock units has any right under their terms to participate in any other share issue of the Company or any other entity.

## Shares Issued on the Exercise Of Options

20,000 and 3,983 ordinary shares of the Company were issued on 2 November 2006 and 4 May 2007 respectively at nil consideration as a result of the vesting of performance rights issued to JL Sutcliffe on 6 October 2005 pursuant to his contract with the Company.

78,637 ordinary shares of the Company were issued on 2 July 2007 at nil consideration as a result of the vesting of restricted stock units issued to certain employees of the Company or its related bodies corporate on 1 November 2005 pursuant to their contracts with the Company or its related bodies corporate.

No further shares have been issued since 2 July 2007. No amounts are unpaid on any of these shares.

## 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 6 to the financial statements.

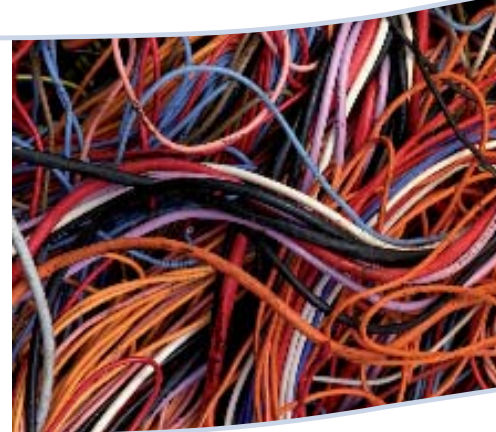
The Board of directors has considered the position and, in accordance with advice received from the Board Risk & Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out in note 6 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 Risk & Audit 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 auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out in the 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 98/100.



## Remuneration Report

### Scope of Remuneration Report

This Remuneration Report outlines the remuneration arrangements for Sims Group's directors and senior executives in accordance with the requirements of the Corporations Act 2001 and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 'Related Party Disclosures' which have been included in the Remuneration Report as permitted by Regulation 2M.6.04. The AASB 124 disclosures in this report have been audited.

The remuneration report covers the Key Management Personnel ("KMP") and the five most highly paid executives of the Company and Group. All the five most highly paid executives fall within the definition of KMP and, as such, are disclosed as KMP. For the purposes of this report, the term "executives" encompasses the executive directors and the other KMP. These personnel had the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year.

Name	Position	Employer
<b>Non-executive directors</b>		
PK Mazoudier	Chairman	Sims Group Limited
JM Feeney	Non-executive director	Sims Group Limited
GN Brunsdon	Non-executive director	Sims Group Limited
CJ Renwick	Non-executive director	Sims Group Limited
M Iwanaga	Non-executive director	Sims Group Limited
RL Every	Non-executive director	Sims Group Limited
PJ Varello	Non-executive director	Sims Group Limited
<b>Executive directors</b>		
JL Sutcliffe	Group Chief Executive	Sims Group Limited
J Neu	Executive director & Vice Chairman	Sims Group USA Holdings Corporation
RB Cunningham	Executive director, Group Finance & Strategy	Simsmetal Services Pty Limited
<b>Other Key Management Personnel</b>		
CR Jansen	Chief Executive Sims Hugo Neu	Sims Group USA Holdings Corporation
DR McGree	Managing Director Australia & New Zealand	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
R Kelman	President and COO – Metal Recycling, North America	Sims Group USA Holdings Corporation

All references to F06 are for the financial year 1 July 2005 to 30 June 2006, references to F07 are for the financial year 1 July 2006 to 30 June 2007 and so on.

All of the executive directors and other KMP were employed for the duration of F07 with the exception of Mr Neu, who resigned as a director on 6 June 2007 and Mr Jansen who exited from the Company on 31 December, 2006. Mr R Kelman was appointed to the position of President and COO Metal Recycling, North America on 16 February 2007.

**The remuneration report is set out under the following main headings:**

**A Remuneration Committee**

**B Executive remuneration**

**C Service agreements**

**D Non-executive Directors' remuneration**

**E Details of remuneration for financial year ending 30 June 2007 (and prior year)**

## A. Remuneration Committee (audited)

### 1. Role of the Remuneration Committee

The role of the Remuneration Committee ("Committee") is to support and advise the Board on the implementation and maintenance of remuneration policies and frameworks. These policies and frameworks are designed to meet the commercial needs of the business, whilst being transparent and aligned with shareholders' interests. The Committee's activities are governed by terms of reference, available on the Sims Group website at:

[www.sims-group.com/global/governance/remuneration\\_committee.asp](http://www.sims-group.com/global/governance/remuneration_committee.asp)

The Committee reviews and makes recommendations to the Board focusing on:

- :: executive remuneration policies
- :: executives' remuneration and incentive performance packages
- :: introduction and application of equity based schemes
- :: overseeing the executive directors' annual performance appraisals
- :: executive succession planning
- :: executive recruitment, retention and termination policies
- :: non-executive directors' remuneration framework

### 2. Membership and meetings

Independent non-executive directors Mr Mazoudier (Chairman), Mr Feeney and Mr Varello were members of the Committee during the year.

The Committee met seven times during the year. Attendance at those meetings is set out on page 22 of this annual report.

The Group Chief Executive, the Group General Manager, Human Resources and the Executive Director, Group Finance & Strategy attended Committee meetings by invitation and assisted the Committee in its deliberations during the year, except where matters associated with their own remuneration were considered.

### 3. Advisors

The Committee draws on advice and data concerning remuneration matters from selected external sources when deemed appropriate.

## B. Executive remuneration (audited)

### 1. Current remuneration policy

The Committee recognises that Sims Group operates in a global environment and that the Company's performance depends on the quality of its people. The Committee ensures that the Company's executive reward approach satisfies the following key criteria for good reward governance practices:

- :: market competitive reward opportunities are delivered commensurate with employee duties, responsibilities and accountabilities
- :: appropriately structured to attract, motivate and retain highly skilled people
- :: reward based on demanding financial and non-financial performance criteria with a focus on delivering long-term value creation to shareholders
- :: simplicity and transparency
- :: alignment with shareholders' interests

### 2. Link between performance and reward

The main business drivers that are within executives' control and provide the inputs for managing and rewarding performance are:

- :: business and market development
- :: financial and risk management
- :: operational excellence including safety
- :: people management



To ensure focus on shareholder value, each year the Board reviews and endorses the Sims Group strategic objectives.

From the Company's strategic objectives, priorities are established at a regional and divisional level. Specific personal priorities are then developed for individual employees and incorporated into the annual performance appraisal process, thus ensuring alignment between goals at all Company levels and ultimately with the objective of enhancing shareholder value.

The alignment of executive remuneration outcomes with the performance of Sims Group and the individual is a key part of the Company's business plans. Relevant performance hurdles, agreed in advance of the allocation of incentives, are a key element in the Sims' performance and incentive plan.

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 five years, the consolidated entity's profit from ordinary activities after income tax has grown at approximately 41% 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 39% per annum on average during the past five years. The aggregated average total fixed remuneration (excluding 'abnormal' payments) ("TFR") of the Group Chief Executive, the Executive Director Group, Finance & Strategy, and the country heads of Australia, United Kingdom, and the United States, has grown at approximately 7% and total reward including short and long term bonus amounts has increased

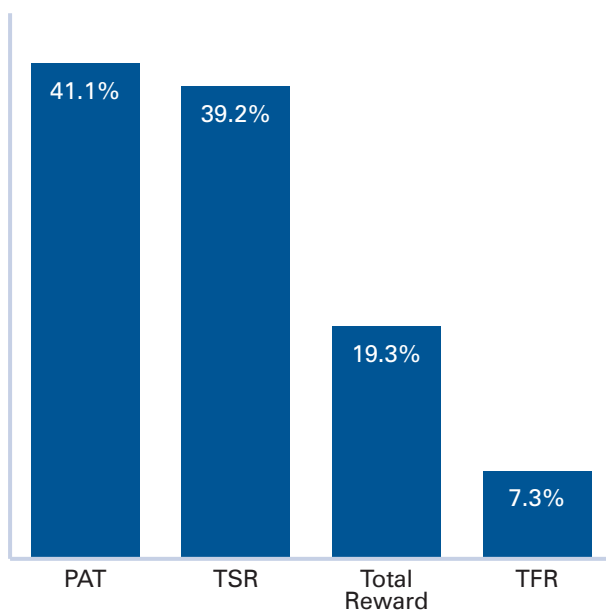
#### ALIGNING INDIVIDUAL PERFORMANCE TO TOTAL SHAREHOLDER VALUE



approximately 19% per annum on average during the past five years.

The PAT and TSR performance and average Total Remuneration increases for the past five years are shown on the left.

#### 5 YEAR AVERAGE PAT + TSR PERFORMANCE + AVERAGE KMP REMUNERATION INCREASE



### 3. Remuneration structure

The executive reward framework has 3 components. These remuneration components, and the factors that determine them, are summarised in the table below:

Component	Delivery mechanism	Variables determining reward			
Fixed Remuneration	Annual salary & benefits	Set with reference to market data for role, experience and performance			
Short-term incentives	Cash	Business and market development objectives	Financial targets	People and Safety targets	Operational targets
Long-term incentives	Equity or cash	Earnings Per Share targets			

The combination of these components comprises an executive's total reward.

### 4. Review of remuneration programs conducted in F07

The Company undertook a review in F07 of executive remuneration arrangements. The Company's objectives during the review were to: develop variable remuneration arrangements which provided a focus on the metrics important to shareholders and the business strategy; be cognisant of market practice; and be focused on the Company's commercial needs.

A review of current short-term and long-term incentive arrangements was undertaken, directed by the Committee, which included consultation with external advisors and management. The changes will take effect from the commencement of F08.

The main changes to the plans are summarised below:

#### F08 Short-Term Incentive

- :: Addition of Profit Before Interest and Tax performance measure to the existing Return on Controlled Capital Employed performance measure using a matrix approach
- :: Significant reward for above target performance

#### F08 Long-Term Incentive

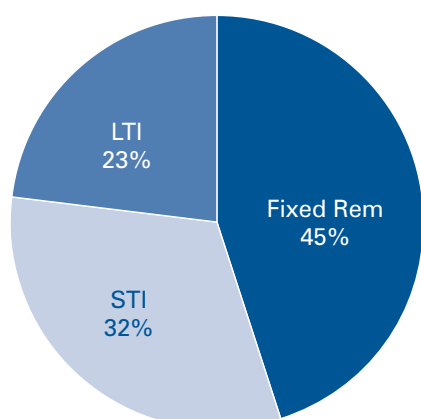
- :: Addition of Total Shareholder Return performance hurdle to the existing Earnings Per Share performance hurdle
- :: Changing to a three year, fully prospective (forward looking) plan with annual grants of Performance Rights

Full detail of the new plans will be included in the F08 Remuneration Report. However, an overview of the new plan's structure is included below at the discussion of the relevant remuneration element.

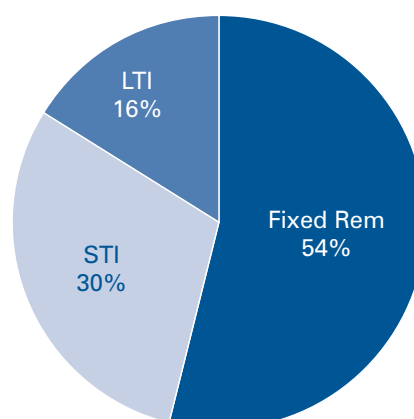
### 5. Mix of fixed and variable reward

The framework set out above provides a mix of fixed and variable rewards, and a blend of short and long-term incentives. The remuneration mix for the CEO and the average remuneration mix for the other executives during the financial year is as set out in the graphs below:

**CEO REMUNERATION MIX**



**AVERAGE REMUNERATION MIX OTHER EXECUTIVES**



## 6. Total Fixed Remuneration Package

Fixed remuneration is structured as a total employment cost package, and an executive's package is reviewed annually. A salary increase budget, guided by forecasts available from public salary surveys, is approved by the Committee each year. An executive's pay is also reviewed on promotion. Each review takes into account the executive's experience and tenure, market remuneration data and the executive's performance during the year.

There are no guaranteed package increases included in executives' service agreements (set out in Section C) with the exception of Mr Sutcliffe, who has received, in years 2006 and 2007, the Sims Group base percentage salary increase for Group employees not covered by a collective agreement.

### Benefits

Executives receive benefits consistent with market practice in their country as part of their individual fixed remuneration package. These benefits may include superannuation/pension, car allowances, expatriate allowances or maintained motor vehicle and medical benefits.

## 7. Variable reward

The Company believes that its variable reward approach should be managed as a whole, not as discrete elements. Consequently, the Company has designed its incentive plans to focus executives on both single year and multi-year performance across performance metrics which, together, support shareholder value enhancement.

### Short-term Incentives

Following the merger with substantially all of the metal recycling operations of Hugo Neu Corporation in October 2005, no changes were made to the short-term incentive ("STI") programs already in place for both Sims Group and Hugo Neu Corporation for F07. Following the remuneration review conducted during F07, a new STI plan was developed (as outlined below) and will take effect from the commencement of F08.

#### F07 Sims Group STI ("F07 STI")

All disclosed executives, with the exception of Mr Neu, participated in the F07 STI. Mr Jansen's participation in the F07 STI program was forfeited with his exit from the Company.

Under the F07 STI, participating executives had the opportunity to receive the annual cash bonus ("STI Bonus"), based upon performance relative to predetermined performance hurdles.

A scorecard approach was utilised. Participants needed to meet minimum performance hurdles which were related to targets including business and market development growth, financial, people and safety, and operational targets.

The main performance measure for the F07 STI was Return On Controlled Capital Employed ("ROCCE"). ROCCE is Profit Before Interest and Tax ("PBIT") return on monthly average controlled capital employed. The ROCCE targets were based on the participant's business unit or in the case of a participant with Group responsibilities, targets were based on the consolidated entity. Sims Group believes that ROCCE was an appropriate metric for the F07 STI as the Company operates in a capital intensive industry whose asset base is constantly in a state of renewal and reinvestment.

By rewarding executives for ROCCE performance, the STI reinforced sound capital investment strategies, conservation of working capital and excellence in operational execution to maximise earnings. The Committee determines annually the minimum percentage ROCCE which the participant's business unit or the consolidated entity must achieve before a participant is eligible to receive an STI Bonus based on this criterion. The Company has not disclosed actual ROCCE targets given commercial sensitivities.

Other performance hurdles related to the participant achieving certain specified personal objectives which were relevant to meeting the Company's business objectives. These personal objectives were referred to as "Personal Priorities". Personal Priorities were related to metrics such as the achievement of safety targets, market and business growth, improved production rates, cost containment and completion of focused training and development plans. The Company believes that these performance measures, given the cascading effect of shareholder value and the corporate goals to determine individual goals illustrated in Figure 1, are consistent with achieving the Company's annual targets. A participant was only eligible to receive that portion of his or her F07 STI Bonus linked to meeting his or her personal objectives if the consolidated entity achieved a minimum level of ROCCE in a particular financial year. A participant was not eligible to receive any form of F07 STI Bonus if he or she did not obtain at least an "achieve" rating on his or her personal priorities for that particular financial year.

In accordance with the Committee's terms of reference, at the end of the financial year the Committee is provided with all appropriate performance information relating to each executive, Company and business unit financial statements and it makes a determination as to the extent the performance criteria applicable to each executive have been met. This is the appropriate method of assessment as the Committee is viewed as the appropriate independent body to determine the level of STI payment.

If a participant terminated employment with Sims Group prior to the end of the financial year, a pro rata bonus payment was considered at the discretion of the Group Chief Executive. Any payment was made after the Committee had approved bonus payments for that financial year.

The relevant STI payment awarded to each KMP (as a percentage of maximum) for F07 is outlined in the table below.

## Short-term Incentive Entitlements F07

	Maximum that could be earned % of Total Fixed Remuneration	% Payable of maximum that could be earned	% Forfeited
<b>Directors</b>			
J Sutcliffe	70.0	97.1	2.9
R Cunningham	60.0	98.0	2.0
<b>Other Key Management Personnel</b>			
D McGree	50.0	93.0	7.0
WT Bird	50.0	98.0	2.0
G Davy	50.0	97.0	3.0
R Kelman	56.0	100.0	nil
R Jansen	50.0	0.0	100.0*

\*Mr Jansen forfeited his participation in the F07 STI upon exit from the Company.

## Hugo Neu Corporation STI

None of the identified KMP executives participated in the former Hugo Neu Corporation STI bonus program, applicable to former employees of Hugo Neu Corporation.

## F08 Short-term incentive plan

During F07, the Company reviewed its approach to STI programs. The Company was focused on developing an STI approach which could be applied consistently across the organisation (versus different "legacy" approaches in parts of the Company from acquired or merged entities). The F08 STI aims to focus on rigorous key short-term business drivers, provide executives with market competitive incentives for achieving performance targets, additional incentives for above target performance, and provide consistency in approaches across the Company.

The target STI payment is expressed as a percentage of base remuneration, and determined with reference to market. In the event of outstanding performance by the participant and the Company/division, an executive may earn up to a maximum of three times target incentive.

The STI will have separate financial and non-financial performance hurdles. Executives will have approximately 80% of their STI determined by financial performance and approximately 20% of their STI determined by non-financial performance.

The financial performance hurdles will be divisional/regional PBIT and ROCCE. PBIT and ROCCE performance will be assessed relative to budget. The STI will reward for achieving budgeted PBIT or ROCCE relative to budget. Target STI will be achieved for target PBIT and ROCCE performance. The highest rewards will be for growing both PBIT and ROCCE. ROCCE has been retained as a performance measure due to the reasons outlined in "F07 Sims Group STI" above. The addition of PBIT further reinforces the importance of growing earnings together with a continued focus on capital management via ROCCE. PBIT and ROCCE targets will be based on the participant's business unit or in the case of a participant with Group responsibilities, on the consolidated entity.

The non-financial hurdles ("Personal Priorities") are set in several key performance areas, as discussed above in "F07 Sims Group STI", including achievement of safety targets, market growth, improved production rates, cost containment and completion of focused training and development plans.

Consistent with the F07 Sims Group STI, in order to be eligible for any payment, the following minimum criteria must be satisfied:

- :: Minimum Sims Group ROCCE and,
- :: Minimum Personal Priorities average rating of at least average 'achieve'.

The specific ROCCE and PBIT targets will not be disclosed due to commercial sensitivity.

The method of assessment for performance is as described above for the F07 Sims Group STI.



### Long-term and retention incentive plans

In the interests of the Company, shareholders, and continuity of business, the Company operated long-term and retention incentive plans designed to encourage performance and retention of key executives. The LTI Plan, and the Performance Rights and Restricted Stock Unit Plans have a continuous service criterion. The Company selected EPS as the appropriate metric for the LTI Plans due to the importance of underlying earnings growth to generate value for investors. The diluted measurement of EPS was selected as the Company believes this appropriately reflects the value of earnings to shareholders. Additionally, the combination of the STI's focus on operational excellence and rigorous capital management, with the LTI's multi-year focus on earnings growth, provide a strong basis for shareholder value enhancement.

At the end of the respective performance period, in line with the Committee's terms of reference, the Committee will review the Company's financial performance and make an assessment as to what extent the performance condition for each LTI has been met. This has been selected as the appropriate method of assessment as the Committee is able to make an independent judgement of the performance using the audited financial results.

### Share trading philosophy

Sims Group does not permit executives to purchase financial instruments to protect the value of any unvested incentive awards.

### F03 to F07 Long-term incentive plan

#### Purpose of plan

The Company operated a long-term incentive plan ("LTI Plan") for executives with more than 12 months service (including the executive directors with the exception of Mr Neu). The plan is intended to link the rewards of executives to the long-term performance of Sims Group and the returns generated for shareholders. Additionally, the plan was designed to encourage executive retention.

All disclosed executives other than Mr Neu and Mr Kelman participated in the LTI Plan during F07.

The potential reward under the LTI Plan was calculated based on a pre-determined percentage of fixed remuneration, depending on the seniority of the participant. In respect of the F07 grants, Mr Sutcliffe and Mr Cunningham each received a grant with an equivalent value of 50% of their fixed remuneration. The other executives participating in the LTI Plan each received a grant with an equivalent value of 30% of their fixed remuneration.

For the grants disclosed below, where the participant could elect whether to receive cash or equity, if the potential reward as a percentage of fixed remuneration was increased from the prior year, any increase was required to be taken as equity. For example, if the potential reward increased from 10% to 15% from F05 to F06, the additional 5% was required to be taken as equity.

#### Structure of plan

For participants who joined the LTI Plan in F03:

- :: The LTI Plan, introduced in F03, was the Company's first structured approach to long-term incentives. For those participants who have been in the LTI Plan since its inception in F03, the Company believed that, given the industry's cyclical nature, those individuals' efforts should be recognised over a longer time frame. As a result, the grants to those individuals have had a three year (initial grant), four year (F06 grant) and a five year (F07 grant) performance period.
- :: Awards were granted on 22 July 2005, with performance measured over the four year period from F02 (base year) to 30 June 2006 and 28 July 2006, with performance measured over the five year period from F02 (base year) to 30 June 2007. Awards vest one year later.
- :: Participants could elect to receive awards as cash or equity. For Australian participants, equity was structured as a limited recourse, interest free loan provided to the participant to purchase shares in the Company. The loan is required to be repaid within five years of grant. Participants are eligible to receive dividends during the performance period.
- :: If performance hurdles are satisfied the participant must repay the loan in full (either from his or her own funds or by selling shares).
- :: If performance hurdles are not met the participant must transfer the shares back to the Company.
- :: For overseas participants located in the UK and the US, equity was structured as Performance Rights ("Rights") or Restricted Stock Units ("RSUs"). Participants were not eligible to receive dividends until the Rights or RSUs were converted to Sims shares.
- :: If performance hurdles are not met, all Rights or RSUs lapse.
- :: For participants located outside of Australia, the UK and the US, cash awards were granted due to administrative and regulatory barriers in providing equity. If performance hurdles are not met, the cash award lapses.

For participants who joined the LTI Plan in F06:

- :: Awards were granted on 22 July 2005 and vest after three years. Performance is measured over the three year period from F05 (base year) to F08.
- :: Additional awards were granted on 28 July 2006 and vest after three years. Performance is measured over the three year period from F06 (base year) to F09.
- :: Australian participants received the grants as equity. Equity was structured as a limited recourse, interest free loan provided to the participant to purchase shares in Sims Group. The loan is required to be repaid within five years of grant. Participants are eligible to receive dividends during the performance period.
- :: Overseas participants were awarded his or her F06 grant as cash and the F07 grant as Rights or RSUs if located in the UK and US or in cash if located outside of Australia, UK and the US.

For participants who joined the LTI Plan in F07:

- :: Awards were granted on 28 July 2006 and vest after three years. Performance is measured over the three year period from F06 (base year) to F09.
- :: Awards for all participants who joined the LTI Plan in F07 were provided as equity other than those who were located outside of Australia, the UK and the US who were granted Cash Rights. A Cash Right mirrors the terms of a Right but is settled in cash.

To date, eligible employees participate in either the F03 Plan or the F06 and/or the F07 Plan. No offers were made during F04 or F05.

#### Performance measure

The performance measure for the plan is diluted Earnings Per Share ("EPS"). Diluted EPS is defined as net profit after tax divided by the weighted average number of ordinary shares and options on issue. Vesting is determined as follows:

EPS Growth (compound p.a. growth)	Percent of award vesting
< 5%	Nil
5%	50%
5%-10%	Straight-line vesting between 50% and 100%
10%	

If the performance condition is not met at the end of the respective performance period, the award will lapse.

In addition to the EPS performance condition, a participant must also remain in the Group's employ at the time of vesting (other than in the case of special circumstances e.g., death, total and permanent disablement, reaching normal retirement age or redundancy, as defined in the LTI Plan rules).

#### Performance rights plan

At the Extraordinary General Meeting of the former Sims Group Limited held on 8 September 2005, shareholders voted in favour of a grant of Performance Rights (effectively share options with a zero exercise price) to Mr Sutcliffe. An amendment to Mr Sutcliffe's Performance Rights Plan was approved by shareholders at the Company's AGM held on 17 November 2006. The details of the grant and amendment are as follows:

- :: Award was granted on 6 October 2005.
- :: As the plan was designed to encourage retention and performance it was structured in five tranches: 20% vests on each of 31 October 2006 (Tranche 1), 31 October 2007 (Tranche 2), 31 October 2008 (Tranche 3), 31 October 2009 (Tranche 4) and 31 October 2010 (Tranche 5).
- :: Tranche 1 was satisfied by Mr Sutcliffe being in the employ of the Company at the vesting date. The Committee concluded that a service condition was appropriate for Tranche 1 to encourage him to stay with, and assist in the integration of Hugo Neu Corporation. The remaining four tranches have continuous service and performance measured over the period from 1 July 2006 to 30 June in the respective vesting year as amended by shareholders at the Company's AGM on 17 November 2006.
- :: The Committee reviewed and considered the performance conditions at the time of grant and subsequently set a compound EPS growth target of equalling or exceeding 8% per annum and by using the annualised EPS on a fully diluted basis for the period 1 July 2005 to 30 June 2006 as the baseline.
- :: Due to the cyclical nature of the metal recycling industry, the Committee deemed it appropriate to allow the interim tranches of the award to be retested. For tranches 2, 3 and 4, if the performance hurdle is not satisfied, the tranche will be retested at the end of the next or any subsequent period.

- :: If compound EPS growth as at 30 June 2009 (i.e., at Tranche 4 testing date) equals or exceeds 12% per annum, all Tranche 5 shares will vest at that time. If the 12% hurdle is not achieved at 30 June 2009, Tranche 5 will be tested at 30 June 2010 against the 8% target. There is no retesting of Tranche 5.
  - :: To receive the vested awards Mr Sutcliffe must be in the Group's employ at the applicable vesting date.
- At the Annual General Meeting of the Company held on 18 November 2005, shareholders voted in favour of a grant of Performance Rights to Mr Cunningham. The details of the grant are as follows:
- :: Award was granted on 18 November 2005.
  - :: The plan for Mr Cunningham was also designed to encourage retention and performance and is also structured in tranches: 50% vests on 30 June 2007 (Tranche 1) and 50% vests on 30 June 2008 (Tranche 2).
  - :: For each tranche performance is measured over the period from 1 July 2006 to the respective vesting date.
  - :: The Committee reviewed the business plan and performance conditions at the time of grant and set a compound EPS growth target of equalling or exceeding 8% per annum and by using the annualised EPS on a fully diluted basis for F06 as the baseline.
  - :: As mentioned above, due to the cyclical nature of the metal recycling industry the Committee deemed it appropriate to allow the first tranches of the award to be retested. For Tranche 1, if the performance hurdle is not satisfied, the tranche will be retested at the end of the subsequent period.
  - :: To receive the vested awards Mr Cunningham must be in the Group's employ at the applicable vesting date.

At the end of the respective performance period, in line with the Committee's terms of reference, the Committee will review the Company's financial performance and make an assessment as to what extent the performance condition has been met.

#### **Restricted stock units plan**

In the interests of the Company, shareholders, and continuity of business, Mr Kelman was awarded a grant of Restricted Stock Units (effectively share options with a zero exercise price) as a result of the merger with Hugo Neu Corporation. The details of the grant are as follows:

- :: Award was granted on 1 November, 2005.
- :: The plan for Mr Kelman was designed to encourage retention and is structured in tranches: 25% vested on 30 June, 2007 (Tranche 1) and 25% vest on 30 June 2008 (Tranche 2) and 50% vest on 30 June 2009 with tranches subject to continuous service through such date.

Details of Performance Rights, Restricted Stock Units and shares in the Company provided as remuneration to each KMP of the Group are set out in notes 27 and 28 to the financial statements.

#### **F08 Long-term incentive Plan**

The Company committed to review the LTI during F07, for implementation in F08. The Company's objectives during the review were to: develop an LTI which provided a focus on the key long-term metrics important to shareholders and the business strategy; be cognisant of market practice; and be focused on the Company's commercial needs.

The F08 LTI plan will offer participants a grant of Performance Rights or Restricted Stock Units (effectively share options with a zero exercise price) at the start of the three year prospective performance period. The number of rights which vest at the end of the performance period will depend on Sims Group's financial performance. Participants located outside of Australia, the UK and the US will be granted cash rights due to administrative and regulatory considerations associated with managing equity programs in countries with one or only a small number of participants.

Participation is by invitation from the Board upon recommendation of the Group CEO. Participants will be direct reports to the Group CEO, some second levels reports to the Group CEO and those in high potential/strategic roles.

The performance measures are relative TSR and cumulative compound diluted EPS growth or Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA"), if a participant has responsibilities within the Sims Recycling Solutions ("SRS") division. TSR is the change in share price over the performance period plus dividends notionally reinvested into shares. TSR is a performance measure for the LTI to further align executive remuneration with shareholder reward. Diluted EPS is defined above in "F03 to F07 Long-term incentive plan – Performance measure". Diluted EPS has been retained as the Company believes this provides reflection of the value of earnings to shareholders. Cumulative compound EPS has been selected as it reflects the cyclical and volatile nature of the industry's earnings and the importance of underlying earnings growth to generate value for investors. EBITDA has been adopted for executives in the SRS division to continue the focus on growth in earnings and therefore value to shareholders.

Vesting for 50% of the award for all executives will be measured against relative TSR ("TSR Rights"). The number of TSR Rights that will be able to vest will depend upon Sims Group's TSR relative to a comparator group of companies. The comparator group of companies consists of Australian industry comparators and other international comparator companies. The companies in the comparator group were selected as they are viewed as industry comparators or direct competitors to Sims Group. The comparator companies are outlined below:

Company Name	
Adelaide Brighton Limited	Pacifica Group Limited
BHP Billiton Limited	Reece Australia Limited
Bluescope Steel Limited	Rio Tinto Limited
Boral Limited	Waste Management Inc
Brickworks Limited	Transpacific Industries
Capral Aluminium Limited	United Group Limited
Clough Limited	Wattyl Limited
Crane Group Limited	Wesfarmers Limited
CSR Limited	Zinifex Limited
GUD Holdings Limited	CFF Recycling
Gunns Limited	Commercial Metals Co
Hills Industries Limited	Metal Management Inc
James Hardie Industries N.V.	Schnitzer Steel Industries Inc
Leighton Holdings Limited	Suez
Nufarm Limited	Veolia Environment
OneSteel Limited	

The vesting schedule for the TSR Rights is set out below:

TSR growth relative to the comparator companies	Proportion of TSR grant vesting
Less than 51 <sup>st</sup> percentile	0%
51 <sup>st</sup> percentile	50%
51 <sup>st</sup> percentile to 75 <sup>th</sup> percentile	Pro-rata straight line
75 <sup>th</sup> percentile	100%

The remaining 50% of the award is subject to EPS or EBITDA performance hurdles, dependant on the executive's Group or divisional responsibilities ("EPS Rights"). The number of EPS Rights that will be able to vest will depend upon Sims Group's actual cumulative compound EPS performance measured against EPS growth targets as set out below:

Cumulative compound EPS growth	Proportion of EPS grant vesting
Less than 5%	0%
5%	50%
Between 5% and 10%	Pro-rata straight line
10%	100%

Performance will first be measured over three years from the start of the financial year in which the award of Performance Rights is made if performance hurdles are not met in full. Given the cyclical nature of the industry, performance will be re-tested at the following points:

- :: If any Performance Rights remain unvested at the end of year three, the Performance Rights will be retested over the four year performance period concluding the end of year four
- :: If any Performance Rights remain unvested at the end of year four, the Performance Rights will be retested over the five year performance period concluding the end of year five

The Company believes that retesting is necessary given the volatile nature of the industry's earnings. Any unvested rights outstanding after the final re-test will immediately lapse.



Participation subject to an EBITDA performance hurdle ("EBITDA Rights"). In order for any or all EBITDA Rights to vest, there is an initial 'gateway' hurdle that must first be met. This 'gateway' hurdle requires SRS ROCCE to be at least equal to Sims Group's Weighted Average Cost of Capital ("WACC") plus 5%. The number of EBITDA Rights that will be able to vest will depend upon SRS's actual cumulative compound EBITDA performance measured against EBITDA growth targets as set out below:

Cumulative compound EBITDA growth	Proportion of EBITDA grant vesting
Less than 15%	0%
15%	50%
Between 15% and 25%	Pro-rata straight line
25%	100%

Performance will first be measured over three years from the start of the financial year in which the award of Performance Rights is made if performance hurdles are not met in full. Given the cyclical nature of the industry, performance will be re-tested at the following points:

- :: If any Performance Rights remain unvested at the end of year 3, the Performance Rights will be retested over the four year performance period concluding the end of year four
- :: If any Performance Rights remain unvested at the end of year four, the Performance Rights will be retested over the five year performance period concluding the end of year five

The Company believes that retesting is necessary given the volatile nature of the industry's earnings. Any unvested rights outstanding after the final re-test will immediately lapse.

#### F03 participants

Participants who joined the Sims Group LTI in F03 will have separate LTI arrangements to other participants in F08 due to historical employment agreements. The F03 participants will receive an F08 grant over three "tranches". The first two tranches will be delivered under the existing LTI plan ("F03 to F07 Long-term incentive plan" described above), with Tranche 3 under the proposed F08 LTI plan. Details of each tranche are outlined below:

- :: Tranche 1 Rights or cash awards: the Performance Period for Tranche 1 is the five year period commencing 1 July 2003 and ending 30 June 2008, using the 2003 financial year as the base year for calculating EPS growth. No retesting applies to Tranche 1 Rights.
- :: Tranche 2 Rights or cash awards: the Performance Period for Tranche 2 is the five year period commencing 1 July 2004 and ending 30 June 2009, using the 2004 financial year as the base year for calculating EPS growth. No retesting applies to Tranche 2 Rights.
- :: Tranche 3 Rights only: granted in F08 and awarded under the F08 plan as discussed above.

### C. Service agreements (audited)

Remuneration and other terms of employment for the Group Chief Executive, the Vice Chairman, the business unit heads for Australia, the US and the UK & Europe, are formalised in employment agreements.

#### JL Sutcliffe, Group Chief Executive

Terms of employment agreement – agreement dated 5 September 2005 for a five year term commencing 31 October, 2005. In years 2006 and 2007 remuneration will be subject to review with any increases consistent with the Group's approved average salary increase budget for Australian employees. Neither the Company nor Mr Sutcliffe may terminate the employment agreement during the first 2 years from 31 October 2005. Thereafter, employment may be terminated by either party by providing 12 months' notice, provided that the Company may terminate Mr Sutcliffe's employment at any time for Cause. If employment is terminated by the Company after the first 2 years for any reason other than Cause, the Company may provide, in lieu of notice, a payment equal to the current Package, plus any additional superannuation contribution required to make Mr Sutcliffe's superannuation benefit equivalent to the benefit he would have received had Mr Sutcliffe remained in the employment with the Company for the whole of the notice period.

#### J Neu, Executive Director & Vice Chairman

Agreement terminated on resignation as a director on 6 June 2007.

## **RB Cunningham, Executive Director, Group Finance & Strategy**

Term of agreement – No term specified. Remuneration is reviewed annually by the Committee. Mr Cunningham 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. Mr Cunningham is also entitled to a retention payment equivalent to 6 months total annual remuneration if he remains in the employ of the employer 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, 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. In the case of Mr Cunningham's resignation from the employ of the employer, three months prior notice thereof must be provided to the employer company.

## **CR Jansen, former Chief Executive, Sims Group USA Holdings Corporation**

Agreement terminated on executive's exit from the Company, effective 31 December, 2006.

## **DR McGree, Managing Director-Australia & New Zealand**

Term of agreement – Two years commencing 1 October 2006. Remuneration is reviewed annually by the Remuneration Committee. Neither the Company nor Mr McGree may terminate the Agreement during the Term provided that the Company may terminate Mr McGree's employment at any time for Cause. The Company must provide 12 months prior written notice or payment in lieu of notice to terminate the Agreement, served on or at anytime after the expiry of the Term. After the completion of the Term, Mr McGree is required to provide three months prior written notice to terminate the Agreement. Mr McGree is also entitled to a retention payment equivalent to 6 months total annual remuneration if he remains in the employ of the employer 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, he is entitled to the greater of 12 months notice or payment in lieu or a benefit calculated by reference to the Sims Group Redundancy Policy up to a maximum of 18 months remuneration depending upon years of service.

## **WT Bird, Managing Director-Metals Recycling-UK**

Term of agreement – Two years commencing 1 October 2006. Remuneration is reviewed annually by the Remuneration Committee. Neither the Company nor Mr Bird may terminate the Agreement during the Term provided that the Company may terminate Mr Bird's employment at any time for Cause. The Company must provide 12 months prior written notice or payment in lieu of notice to terminate the Agreement, served on or at anytime after the expiry of the Term. After the completion of the Term, Mr Bird is required to provide three months prior written notice to terminate the Agreement. Mr Bird is also entitled to a retention payment equivalent to 6 months total annual remuneration if he remains in the employ of the employer 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, he is entitled to the greater of 12 months notice or payment in lieu or a benefit calculated by reference to the Sims Group Redundancy Policy up to a maximum of 18 months remuneration depending upon years of service.

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

Term of agreement – Two years commencing 1 October 2006. Remuneration is reviewed annually by the Remuneration Committee. Neither the Company nor Mr Davy may terminate the Agreement during the Term provided that the Company may terminate Mr Davy's employment at any time for Cause. The Company must provide 12 months prior written notice or payment in lieu of notice to terminate the Agreement, served on or at anytime after the expiry of the Term. After the completion of the Term, Mr Davy is required to provide three months prior written notice to terminate the Agreement. Mr Davy is also entitled to a retention payment equivalent to 6 months total annual remuneration if he remains in the employ of the employer 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, he is entitled to the greater of 12 months notice or payment in lieu or a benefit calculated by reference to the Sims Group Redundancy Policy up to a maximum of 18 months remuneration depending upon years of service.

## **R Kelman, President and COO, Sims Group USA Holdings Corporation**

Term of Agreement – Commencing 1 November 2005 and ending 30 June 2010 and will automatically renew for consecutive 1 year periods. Agreement was amended following Mr Kelman's promotion to his new role on 16 February 2007. Either party must provide at least three months written notice to the other of his or its intention to terminate the Agreement on the next Expiration Date. Remuneration is reviewed annually by the Remuneration Committee. If terminated by the Company other than Cause, Mr Kelman will receive an amount equal to the greater of his base salary for the period equal to the remainder of the Term or 12 months.

**D. Non-executive Directors' ("NEDs") remuneration (audited)**

NED fees reflect the demands which are made on, and the responsibilities of, the non-executive directors.

NEDs' receive an annual fee, paid monthly, for their services. Non-executive directors do not receive additional fees for serving on established Board committees.

Base fees are set within the maximum amount approved by shareholders from time to time. The current NED fee pool is \$1.5 million and was approved on 17 November 2006 at the Company's Annual General Meeting

NEDs' fees are reviewed annually, considering publicly available information in respect of the level of fees that are paid to directors of other publicly listed companies with a similar market capitalisation and any changes to non-executive director roles and responsibilities over the year.

NEDs are not currently covered by any contract of employment and therefore have no contract duration, notice period for termination or termination payments.

NEDs do not participate in any incentive (cash or equity-based) arrangements.

The Company's NEDs' Retirement Allowance Scheme was discontinued effective 30 June 2006. The accrued amounts in respect of those three non-executive directors that still participated (Messrs Mazoudier, Feeney and Brunsdon) were frozen and will be indexed at 5% per annum until payment.

**E. Details of remuneration for financial year ending 30 June 2007 (and prior year) (audited)**

Details of the remuneration of the directors and the other Key Management Personnel of the Company are set out in the following tables.

# DIRECTORS' REPORT

for the year ended 30 June 2007

37

## Remuneration of Directors and Key Management Personnel - 30 June 2007

	Short-term employee benefits					Long-term benefits		Post employment			Share-based payments		Total
	Cash Salary & Fees \$	Non-monetary benefits \$	Other short-term benefits \$	Accruals				Pension/ Super-annuation \$	Termination Benefits \$	Retirement Benefits \$	LTI Shares \$	Options/ Rights/ Restricted Stock Units \$	
				STI Bonus \$	Annual Leave \$	Long Service Leave \$	LTI Bonus \$						
Directors													
PK Mazoudier Chairman (non-executive)	328,440	-	-	-	-	-	-	29,560	-	41,393	-	-	399,393
RL Every Director (non-executive)	142,293	-	-	-	-	-	-	12,806	-	-	-	-	155,099
PJ Varello Director (non-executive)	155,100	-	-	-	-	-	-	-	-	-	-	-	155,100
GN Brunsdon Director (non-executive)	142,293	-	-	-	-	-	-	12,806	-	15,308	-	-	170,407
CJ Renwick** Director (non-executive)	7,662	-	-	-	-	-	-	690	-	-	-	-	8,352
JM Feeney Director (non-executive)	142,293	-	-	-	-	-	-	12,806	-	19,134	-	-	174,233
M Iwanaga*** Director (non-executive)	8,352	-	-	-	-	-	-	-	-	-	-	-	8,352
JL Sutcliffe Director & Group Chief Executive	1,225,739	1,000	-	959,310	23,829	35,448	458,494	184,011	-	-	246,881	305,365	3,440,077
RB Cunningham Executive Director Group Finance & Strategy	594,745	1,000	-	661,600	90,037	54,754	280,000	104,255	-	-	70,000	228,102	2,084,493
J Neu* Executive Director	479,412	11,616	-	-	-	-	-	-	-	-	-	-	491,028
Total Remuneration - Directors	3,226,329	13,616	-	1,620,910	113,866	90,202	738,494	356,934	-	75,835	316,881	533,467	7,086,534
Key Management Personnel													
DR McGree Managing Director Australia & New Zealand	467,085	1,000	-	254,650	(9,238)	27,006	110,000	81,915	-	-	55,000	-	987,418
WT Bird Managing Director- Metals Recycling - UK	422,298	36,495	10,568	257,137	-	-	104,426	55,417	-	-	-	52,219	938,560
G Davy^^ Managing Director - Sims Global Recycling Solutions	462,772	36,495	81,224	344,802	-	-	112,480	55,417	-	-	-	56,246	1,149,436
R Kelman## President & COO Metal Recycling North America	586,357	16,871	12,163	491,556	16,230	-	-	25,102	-	-	-	171,077	1,319,356
CR Jansen# Former Chief Executive Sims Hugo Neu	284,486	-	39,512	-	-	-	-	40,151	1,456,170	-	-	-	1,820,319
Total Remuneration - Key Management Personnel	2,222,998	90,861	143,467	1,348,145	6,992	27,006	326,906	258,002	1,456,170	-	55,000	279,542	6,215,089

\* J Neu resigned as executive director 6.06.07 and resigned as an employee 1.07.07

\*\* CJ Renwick appointed 12.06.07

\*\*\* M Iwanaga appointed 12.06.07

## Appointed to the role of President and COO Simsmetal North America on 16.02.07

^^ G Davy received LAFHA for time in the US shown in 'other short term benefits'

# CR Jansen exited on 31 December 2006. Termination payment consists of redundancy payment, unused annual leave and unused long service leave. Whilst located in the US, Mr Jansen received a living away from home allowance shown in 'other short term benefits'



## DIRECTORS' REPORT

for the year ended 30 June 2007

## Remuneration of Directors and Key Management Personnel - 30 June 2006

	Short-term employee benefits				Long-term benefits		Post employment			Share-based payments		Total	
	Cash Salary & Fees \$	Non-monetary benefits \$	Other short-term benefits \$	Accruals				Pension/ Super-annua- tion \$	Term-ination Benefits \$	Retire-ment Benefits \$	LTI Shares \$	Options/ Rights/ Restricted Stock Units \$	
				STI Bonus \$	Annual Leave \$	Long Service Leave \$	LTI Bonus \$						
Directors													
PK Mazoudier Chairman (non-executive)	201,932	-	-	-	-	-	-	18,174	-	62,898	-	-	283,004
J Neu * Executive Director	446,768	11,403	-	-	-	-	-	-	-	-	-	-	458,171
RL Every ** Director (non-executive)	82,471	-	20,617	-	-	-	-	9,278	-	-	-	-	112,366
PJ Varello* Director (non-executive)	89,893	-	22,473	-	-	-	-	-	-	-	-	-	112,366
GN Brunsdon Director (non-executive)	92,780	-	-	-	-	-	-	8,350	-	33,203	-	-	134,333
JM Feeney Director (non-executive)	92,780	-	-	-	-	-	-	8,350	-	26,670	-	-	127,800
JL Sutcliffe Director & Group Chief Executive	1,161,331	12,584	-	925,425	188,673	167,117	202,500	176,085	-	-	503,275	300,451	3,637,441
RB Cunningham Executive Director Group Finance & Strategy	496,716	31,029	-	372,060	(1,873)	7,887	248,040	92,355	-	-	66,047	-	1,312,261
Total Remuneration - Directors	2,664,671	55,016	43,090	1,297,485	186,800	175,004	450,540	312,592	-	122,771	569,322	300,451	6,177,742
Key Management Personnel													
CR Jansen### Chief Executive Sims Hugo Neu	558,139	13,000	130,626	439,619	19,016	14,277	201,045	80,075	-	-	-	445,302	1,901,099
DR McGree Managing Director Australia & New Zealand	417,390	1,000	-	242,728	378	8,329	98,420	73,291	-	-	52,414	-	893,950
WT Bird Managing Director - Metals Recycling - UK	388,987	36,020	9,510	234,530	-	-	97,164	68,070	-	-	-	-	834,281
G Davy Managing Director - Sims Recycling Solutions - Europe & North America	388,987	36,020	9,510	240,481	-	-	97,164	68,070	-	-	-	-	840,232
Total Remuneration - Key Management Personnel	1,753,503	86,040	149,646	1,157,358	19,394	22,606	493,793	289,506	-	-	52,414	445,302	4,469,562

\* Appointed 31/10/2005 Mr Varello's amount in 'other short term benefits' represents payment for services provided before appointment finalised

\*\* Appointed 24/10/2005 Amount in 'other short term benefits' represents payment for services provided before appointment finalised

### Mr Jansen received a LAFHA whilst on US Secondment included in 'other short term benefits'

# DIRECTORS' REPORT

for the year ended 30 June 2007

39

## Share-based compensation

The terms and conditions of each grant of options, rights, or RSUs affecting remuneration in the previous, this or future reporting periods are as follows:

### Former LTI Share Plan

Grant date	Expiry date	Exercise price	Value per share at grant date (\$)	Date exercisable
22 July 2005	22 July 2010	Nil	5.56	30 June 2006
22 July 2005	22 July 2010	Nil	6.04	30 June 2008
28 July 2006	28 July 2011	Nil	6.78	30 June 2007
28 July 2006	28 July 2011	Nil	7.66	30 June 2009

Name	Number of LTI shares granted during the year		Number of LTI shares vested during the year	
	2007	2006	2007	2006
<b>Directors</b>				
J Sutcliffe	36,738	90,517	90,517	Nil
R Cunningham	10,417	11,879	11,879	Nil
<b>Other Key Management Personnel</b>				
D McGree	8,185	9,427	9,427	Nil

Approval of the issue of the above LTI shares to Directors has been obtained under ASX Limited Listing Rule 10.14.

### Performance Rights

Grant date	Expiry date	Exercise price	Value per right at grant date (\$)	Date exercisable
6 October 2005	31 October 2010	Nil	14.18	31 October 2006
6 October 2005	31 October 2010	Nil	14.18	31 October 2007
6 October 2005	31 October 2010	Nil	14.18	31 October 2008
6 October 2005	31 October 2010	Nil	14.18	31 October 2009
6 October 2005	31 October 2010	Nil	14.18	31 October 2010
18 November 2005	30 June 2008	Nil	14.81	30 June 2007
18 November 2005	30 June 2008	Nil	14.81	30 June 2008
28 July 2006	30 June 2007	Nil	18.73	30 June 2007
28 July 2006	30 June 2009	Nil	18.73	30 June 2009
1 July 2007	30 April 2010	Nil	22.32	30 April 2010

Name	Number of Rights granted during the year		Number of Rights vested during the year	
	2007	2006	2007	2006
<b>Directors</b>				
J Sutcliffe	Nil	119,913	23,983	Nil
R Cunningham	Nil	29,978	Nil	Nil
<b>Key Management Personnel</b>				
G Davy	3,003	Nil	Nil	Nil
T Bird	2,788	Nil	Nil	Nil

### Restricted Stock Units

Grant date	Expiry date	Exercise price	Value per RSU at grant date	Date exercisable
1 November 2005	30 June 2009	Nil	16.68	30 June 2007
1 November 2005	30 June 2009	Nil	16.68	30 June 2008
1 November 2005	30 June 2009	Nil	16.68	30 June 2009

## DIRECTORS' REPORT

for the year ended 30 June 2007

Name	Number of RSUs granted during the year		Number of RSUs vested during the year	
	2007	2006	2007	2006
<b>Key Management Personnel</b>				
R Kelman	Nil	59,725	14,931	Nil

Analysis of long-term and retention incentive entitlements for the year (unaudited)

	Cash		LTI Shares		Fin year in which LTI share grant vests	Value yet to vest		Rights /RSUs		Fin. year in which rights / RSUs grant vests	Value yet to vest	
	% Payable	% Forfeited	% Vested	% Forfeited		Min <sup>(1)</sup> \$	Max <sup>(2)</sup> \$	% Vested	% Forfeited		Min <sup>(1)</sup> \$	Max <sup>(3)</sup> \$
Directors												
J Sutcliffe	100.0	-	nil	-	2008	nil	246,881	20.0	nil	2008	nil	340,079
										2009	nil	340,079
										2010	nil	340,079
										2011	nil	340,051
R Cunningham	100.0	-	nil	-	2008	nil	70,000	50.0	nil	2008	nil	221,987
Key Management Personnel												
D McGree	100.0	-	nil	-	2008	nil	55,000	-	-	-	-	-
WT Bird	100.0	-	-	-	-	-	-	100.0	nil	2008	nil	52,219
G Davy	100.0	-	-	-	-	-	-	100.0	nil	2008	nil	56,246
R Kelman	-	-	-	-	-	-	-	25.0	nil	2008	nil	161,922
										2009	nil	306,513

- (1) The minimum value of LTI Shares, Performance Rights and RSUs yet to vest is \$ nil as the performance criteria may not be met and consequently the Share, Right or RSU may not vest.
- (2) The maximum value of the LTI Shares that are yet to vest is not determinable as it depends on the market price of shares of the Company on the Australian Stock Exchange at the date the share is exercised. The maximum values presented above represent the weighted fair value of shares granted at grant date. Fair value has been determined with reference to a dividend yield of 5.5% p.a., expected vesting dates and an assessment of the probability of achievement of continuous service and non-market performance criteria. Refer Note 27 notes to financial statements.
- (3) The maximum value of Performance Rights and RSUs yet to vest is not determinable as it depends on the market price of shares of the Company on the Australian Stock Exchange at the date the Right or RSU is exercised. The maximum values presented above represent the weighted fair value of Performance Rights or RSUs granted at grant date. Fair value has been determined with reference to a dividend yield of 5.5% p.a., expected vesting dates and an assessment of the probability of achievement of continuous service and non-market performance criteria.

For and on behalf of the board:


P K Mazoudier  
Chairman

J L Sutcliffe  
Group Chief Executive

Sydney 31 August 2007

## Sims Group Limited

Income Statements  
For the year ended 30 June 2007

	Notes	Consolidated		Parent entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Revenue from continuing operations</b>	3	<b>5,550,897</b>	3,754,509	<b>158,006</b>	47,617
Other income	4	8,978	2,105	-	-
Raw materials and changes in inventories of finished goods		(3,847,254)	(2,471,870)	-	-
Freight expense		(540,178)	(373,153)	-	-
Employee benefits expense		(296,421)	(238,386)	(2,369)	(1,271)
Depreciation and amortisation expense	5	(51,566)	(41,505)	-	-
Repairs and maintenance expense		(117,993)	(92,415)	-	-
Other expenses from ordinary activities		(303,312)	(239,490)	-	-
Finance costs	5	(30,405)	(18,360)	-	-
Share of pre-tax profit of associates accounted for using the equity method	30	7,030	4,164	-	-
<b>Profit before income tax</b>		<b>379,776</b>	285,599	<b>155,637</b>	46,346
Income tax (expense) / benefit	7	(125,401)	(88,953)	287	76
<b>Profit attributable to members of Sims Group Limited</b>		<b>254,375</b>	196,646	<b>155,924</b>	46,422
		<b>Cents</b>	<b>Cents</b>		
Basic earnings per share	34	203.6	174.2		
Diluted earnings per share	34	202.5	173.7		

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

## Sims Group Limited

Balance Sheets  
As at 30 June 2007

		Consolidated		Parent entity	
	Notes	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	35	38,560	15,800	-	-
Trade and other receivables	8	365,175	356,019	20,679	12,428
Inventories	9	374,289	333,187	-	-
Derivative financial instruments	37	14,798	903	-	-
		792,822	705,909	20,679	12,428
Non-current assets classified as held for sale - land and buildings	12	-	5,733	-	-
Total current assets		792,822	711,642	20,679	12,428
<b>Non-current assets</b>					
Investments accounted for using the equity method	10	25,945	21,761	-	-
Other financial assets	11	-	-	2,506,652	2,507,184
Property, plant and equipment	12	670,939	590,668	-	-
Retirement benefit surplus	19	7,454	-	-	-
Deferred tax assets	13	64,058	34,693	-	-
Intangible assets	14	625,198	579,075	-	-
Total non-current assets		1,393,594	1,226,197	2,506,652	2,507,184
<b>Total assets</b>		2,186,416	1,937,839	2,527,331	2,519,612
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	15	379,911	341,752	362,685	403,531
Derivative financial instruments	37	492	1,263	-	-
Current tax liabilities	17	41,374	22,343	20,316	12,352
Provisions	18	17,809	20,881	-	-
Total current liabilities		439,586	386,239	383,001	415,883
<b>Non-current liabilities</b>					
Borrowings	16	341,326	301,459	-	-
Deferred tax liabilities	17	61,733	28,744	-	-
Provisions	18	19,119	19,782	-	-
Retirement benefit obligations	19	-	4,830	-	-
Total non-current liabilities		422,178	354,815	-	-
<b>Total liabilities</b>		861,764	741,054	383,001	415,883
<b>Net assets</b>		1,324,652	1,196,785	2,144,330	2,103,729
<b>EQUITY</b>					
Contributed equity	20	811,976	780,108	2,132,632	2,100,764
Reserves	22	65,272	78,837	5,355	2,524
Retained profits	22	447,404	337,840	6,343	441
<b>Total equity</b>	21	1,324,652	1,196,785	2,144,330	2,103,729

The above balance sheets should be read in conjunction with the accompanying notes.



## Sims Group Limited

**Statements of Recognised Income and Expense**  
**For the year ended 30 June 2007**

	Notes	Consolidated		Parent entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Defined benefit plan actuarial gain (net of tax)	22	5,211	3,869	-	-
Gain on revaluation of land and buildings (net of tax)	22	58,842	27,465	-	-
Changes in fair value of cash flow hedges (net of tax)	22	9,121	383	-	-
Exchange differences on translation of foreign operations	22	(84,359)	17,764	-	-
<b>Net (expense)/income recognised directly in equity</b>		<b>(11,185)</b>	<b>49,481</b>	<b>-</b>	<b>-</b>
Profit for the year recognised in the income statement		<b>254,375</b>	<b>196,646</b>	<b>155,924</b>	<b>46,422</b>
<b>Total recognised income and expense for the year</b>		<b>243,190</b>	<b>246,127</b>	<b>155,924</b>	<b>46,422</b>

*The above statements of recognised income and expense should be read in conjunction with the accompanying notes.*

## Sims Group Limited

Statements of Cash Flows  
for the year ended 30 June 2007

	Notes	Consolidated		Parent entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of goods and services tax)		5,683,089	3,732,075	-	-
Payments to suppliers and employees (inclusive of goods and services tax)		(5,205,939)	(3,412,100)	-	-
		477,150	319,975	-	-
Interest received		2,364	2,047	-	-
Interest paid		(30,405)	(18,360)	-	-
Dividends received		-	-	120,026	30,963
Income taxes paid		(135,612)	(95,091)	-	-
<b>Net cash inflow from operating activities</b>	35	313,497	208,571	120,026	30,963
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(90,503)	(76,481)	-	-
Payments for subsidiaries and businesses	29	(158,914)	(28,515)	-	-
Proceeds from sale of property, plant and equipment		8,203	2,021	-	-
<b>Net cash outflow from investing activities</b>		(241,214)	(102,975)	-	-
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		940,339	337,801	-	-
Repayment of borrowings		(871,690)	(363,988)	-	-
Proceeds from issue of shares		1,872	1,309	-	-
Dividends paid		(120,026)	(113,292)	(120,026)	(30,963)
<b>Net cash outflow from financing activities</b>		(49,505)	(138,170)	(120,026)	(30,963)
<b>Net increase/(decrease) in cash held</b>		22,778	(32,574)	-	-
<b>Cash at the beginning of the financial year</b>		15,800	46,008	-	-
Effects of exchange rate changes on cash and cash equivalents		(18)	2,366	-	-
<b>Cash at the end of the financial year</b>	35	38,560	15,800	-	-

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

## Sims Group Limited

### Notes to the financial statements 30 June 2007

#### 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Sims Group Limited as an individual entity and the consolidated entity consisting of Sims Group Limited and its subsidiaries.

##### (a) Basis of preparation

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

Sims Group Limited was incorporated on 20 June 2005 and is the parent company. The comparative financial year of the parent company in these financial statements covers the period from 20 June 2005 to 30 June 2006.

Under the terms of a scheme of arrangement entered into between Sims Group Limited and Sims Group Australia Holdings Limited (formerly known as Sims Group Limited) on 31 October 2005, the shareholders in Sims Group Australia Holdings Limited exchanged their shares in that entity for the shares in Sims Group Limited. Under the terms of AASB 3 *Business Combinations*, Sims Group Australia Holdings Limited was deemed to be the acquirer in this business combination. This transaction has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly the consolidated financial statements of Sims Group Limited have been prepared as a continuation of the consolidated financial statements of Sims Group Australia Holdings Limited. Sims Group Australia Holdings Limited, as the deemed acquirer, has acquisition accounted for Sims Group Limited as at 31 October 2005.

##### *Compliance with IFRSs*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Sims Group Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure*.

##### *Early adoption of standards*

The Group has elected to apply revised AASB 101 *Presentation of Financial Statements* (issued October 2006) to the annual reporting period beginning 1 July 2006.

This includes applying the pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. No adjustment to any of the financial statements were required for the above pronouncement.

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and certain classes of property, plant and equipment.

##### *Critical Accounting Estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 39.

##### (b) Principles of consolidation

###### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sims Group Limited ("company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Sims Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)).

## Sims Group Limited

### Notes to the financial statements 30 June 2007

#### 1 Summary of significant accounting policies (continued)

##### (b) Principles of consolidation - continued

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Sims Group Limited.

##### *(ii) Associates*

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer note 30).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

##### *(iii) Joint ventures*

The proportionate interests in the assets, liabilities, income and expenses of unincorporated joint venture operations have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in note 31.

##### (c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

##### (d) Foreign currency translation

##### *(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Sims Group Limited's functional and presentation currency.

## Sims Group Limited

### Notes to the financial statements 30 June 2007

## 1 Summary of significant accounting policies (continued)

### (d) Foreign currency translation - continued

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

#### (iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### (e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised for the major business activities as follows:

#### (i) Sales revenue

Sales revenue represents revenue earned from the sale of the consolidated entity's products. Sales revenue is recognised when the goods have been despatched to a customer pursuant to a sales order, when associated risks have passed to the carrier or customer and when the amount of revenue can be reliably measured. Where estimates are used, these are based on historical outcomes taking into consideration the type of customer, the product type sold and the specifics of each arrangement.

#### (ii) Service revenue

Service revenue principally represents revenue earned from the collection of end-of-life post consumer products for the purpose of product recycling. Service revenue is recognised when the services have been provided. Service revenue received in advance of the service being rendered is deferred.

#### (iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

### (f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in current liabilities as deferred income and are credited to the income statement on a straight line basis over the expected lives of the related assets.



## Sims Group Limited

### Notes to the financial statements 30 June 2007

#### 1 Summary of significant accounting policies (continued)

##### (g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

##### *Tax consolidation legislation*

Sims Group Limited and its wholly owned Australian subsidiaries have implemented the tax consolidation legislation.

The head entity, Sims Group Limited, and the subsidiaries in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Sims Group Limited also recognises the current tax liabilities (or assets) arising from subsidiaries in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 7.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

##### (h) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 26). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

##### (i) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(s)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

## Sims Group Limited

### Notes to the financial statements 30 June 2007

#### 1 Summary of significant accounting policies (continued)

##### (i) Business combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

##### (j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

##### (k) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet where they are repayable on demand.

##### (l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement no more than 90 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement in other expenses. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

##### (m) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to inventory on the basis of first-in first-out or weighted average costs depending on the nature of the inventory. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

##### (n) Maintenance and repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. Overhauls are 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(r). Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

##### (o) Investments and other financial assets

###### **Classification**

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of held-to-maturity assets, re-evaluates this designation at each reporting date.

## Sims Group Limited

Notes to the financial statements  
30 June 2007**1 Summary of significant accounting policies (continued)****(o) Investments and other financial assets - continued***(i) Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading and derivatives designated at fair value through profit or loss on initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset as held for trading if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are designated at fair value through profit and loss unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

**Recognition and derecognition**

Regular purchases and sales of financial assets are recognised on trade-date being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

**Fair value**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

**Impairment**

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

## Sims Group Limited

### Notes to the financial statements 30 June 2007

#### 1 Summary of significant accounting policies (continued)

##### (p) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 37. Movements in the hedging reserve in shareholders equity are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity is less than 12 months. Trading derivatives are classified as a current asset or liability.

##### (i) Fair value hedge

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

##### (ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other expenses from ordinary activities.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

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

##### (iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or other expenses.

##### (q) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## Sims Group Limited

### Notes to the financial statements 30 June 2007

#### 1 Summary of significant accounting policies (continued)

##### (r) Property, plant and equipment

Land, buildings and leasehold improvements are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings and leasehold improvements. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition and installation of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, to the asset revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in the asset revaluation reserve in respect of those assets to retained earnings.

##### (s) Intangible assets

###### *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

##### (t) Trade and other payables

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

##### (u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as non-current liabilities as the Group has the unconditional right to defer settlement beyond 12 months.

##### (v) Borrowing costs

Borrowing costs are expensed as incurred.



## Sims Group Limited

### Notes to the financial statements 30 June 2007

#### 1 Summary of significant accounting policies (continued)

##### (w) Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

##### (x) Employee benefits

###### (i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

###### (ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and 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 market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

###### (iii) Retirement benefit obligations

All employees of the Group are entitled to benefits from the Group's superannuation plans on retirement, disability or death. The Group has a defined benefit section and a defined contribution section within its plans. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, outside profit or loss directly in the statement of recognised income and expense. These are accumulated in retained earnings. In 2006 and prior these were separately accumulated in a defined benefits fund reserve. Comparative figures have been changed to reflect this change in presentation.

Past service costs are recognised immediately in income, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the entity and are part of the provision of the existing benefit obligation (eg taxes on investment income and employer contributions) are taken into account in measuring the net liability or asset.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

###### (iv) Share-based payments

Share-based compensation benefits are provided to employees via the employee share scheme.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

## Sims Group Limited

### Notes to the financial statements 30 June 2007

#### 1 Summary of significant accounting policies (continued)

##### (x) Employee benefits - continued

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme, is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

##### (v) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

##### (y) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

##### (z) Dividends

Provision is made for the amount of any dividend determined or declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

##### (aa) Earnings per share

###### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, 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.

###### (ii) Diluted earnings per share

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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

##### (ab) Research and development

Research expenditure is recognised as an expense as incurred. The Group is not involved in any development projects.

## Sims Group Limited

### Notes to the financial statements 30 June 2007

#### 1 Summary of significant accounting policies (continued)

##### (ac) Held for sale assets

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

##### (ad) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group has not adopted any of these standards early. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 7 - *Financial Instruments: Disclosures* and AASB 2005-10 *Amendments to Australian Accounting Standards* [AASB 132, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

(ii) AASB-I 10 *Interim Financial Reporting and Impairment*

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Groups or the parent entity's financial statements.

(iii) AASB 8 *Operating Segments*

AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*. These standards are applicable to annual reporting periods beginning on or after 1 January 2009. Application of the standards will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the Group's segments.

(v) AASB 123 *Borrowing Costs*

This standard applies to all reporting periods beginning on or after 1 January 2009 and requires the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use. All other borrowing costs are immediately recognised as expenses. As the Group currently expenses borrowing costs as incurred, application of the standards may affect the amounts recognised in the financial statements.

(vi) AASB 2007-7 *Amendments to Australian Accounting Standards AASB 2007-7*

The standard is operative for annual reporting periods beginning on or after 1 July 2007. It removes the encouragement to adopt a particular format for the cash flow statement in AASB 107 "Cash Flow Statements" and makes editorial amendments to six standards. Application of the interpretation will have no impact on the Group's or the parent entity's financial statements.

(vii) AASB-I 11 AASB 2 - *Group and Treasury Share Transactions* and AASB 2007-1 *Amendments to Australian Accounting Standards arising from AASB Interpretation 11 AASB-I 11*

This standard applies to annual reporting periods beginning on or after 1 March 2007 and addresses whether certain types of share based payment transactions should be accounted for as equity settled or as cash settled transactions and specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent. Application of the standards is not expected to affect any of the amounts recognised in the financial statements.

## Sims Group Limited

### Notes to the financial statements 30 June 2007

#### 1 Summary of significant accounting policies (continued)

##### (ae) 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, the nearest dollar.

#### 2 Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program recognises the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group from time to time uses derivative financial instruments such as foreign exchange contracts, commodity hedges and interest rate swaps to hedge certain risk exposures.

Risk management is carried out by the Group's treasury officers pursuant to policies approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risks in close cooperation with the operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, commodity price risk, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

##### (a) Market risk

###### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency being the Australian dollar. The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US Dollar, Great British Pound, Euro and New Zealand Dollars. Forward contracts, transacted by Treasury, are used to manage foreign exchange risk. Treasury is responsible for managing exposures in each foreign currency by using external forward currency contracts.

The Group's risk management policy is to hedge anticipated transactions in foreign currencies for periods up to 12 months. Projected sales qualify as "highly probable" forecast transactions for hedge accounting purposes.

###### (ii) Price risk

The Group is exposed to commodity price risk. This arises from the holding of inventory which is recorded in accordance with accounting policy set out in note 1(m). The Group's risk management policy is to hedge as and when it is deemed appropriate, the inventories of copper, nickel and nickel alloy commodities by the use of commodity hedge contracts.

###### (iii) Fair value interest rate risk

Refer to (d) below.

##### (b) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

##### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

##### (d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group has not entered into floating to fixed interest rate swaps during the financial year.





## Sims Group Limited

Notes to the financial statements  
30 June 2007

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>6 Remuneration of auditors</b>				
<b>Assurance Services</b>				
<b>1. Audit services</b>				
Fees paid and payable to PricewaterhouseCoopers Australian Firm				
Audit and review of financial reports and other work under the Corporations Act 2001	456,278	432,000	-	-
Fees paid to related practices of PricewaterhouseCoopers Australian Firm				
Audit and review of financial reports	880,499	693,635	-	-
<b>Total remuneration for audit services</b>	<b>1,336,777</b>	<b>1,125,635</b>	<b>-</b>	<b>-</b>
<b>2. Other Assurance services</b>				
Fees paid and payable to PricewaterhouseCoopers Australian Firm				
Other audit related services	3,238	125,500	-	-
Due diligence services	131,000	120,676	-	-
Fees paid to related practices of PricewaterhouseCoopers Australian Firm				
Other audit related services	8,707	-	-	-
Due diligence services	167,262	-	-	-
<b>Total remuneration for other assurance services</b>	<b>310,207</b>	<b>246,176</b>	<b>-</b>	<b>-</b>
<b>Total remuneration for assurance services</b>	<b>1,646,984</b>	<b>1,371,811</b>	<b>-</b>	<b>-</b>
<b>Taxation services</b>				
Fees paid and payable to PricewaterhouseCoopers Australian Firm				
Tax compliance services including review of company income tax returns	330,696	175,300	-	-
Tax consulting and advice	9,100	270,039	-	-
Fees paid to related practices of PricewaterhouseCoopers Australian Firm				
Tax compliance services including review of company income tax returns	29,823	11,584	-	-
<b>Total remuneration for taxation services</b>	<b>369,619</b>	<b>456,923</b>	<b>-</b>	<b>-</b>
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	24,300	18,353	-	-

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 are awarded assignments on a competitive basis.

## Sims Group Limited

Notes to the financial statements  
30 June 2007

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>7 Income tax</b>				
<b>(a) Income tax expense</b>				
The parent entity and its subsidiaries				
Current tax	129,504	80,473	(287)	(76)
Deferred tax	(6,560)	8,329	-	-
Adjustments for current tax of prior periods	176	(1,139)	-	-
	123,120	87,663	(287)	(76)
Associated companies income tax expense	2,281	1,290	-	-
	125,401	88,953	(287)	(76)
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Tax at the Australian tax rate of 30% (2006: 30%)	113,933	85,680	46,691	13,904
Tax effect of permanent differences:				
Non-deductible amortisation and depreciation	137	(134)	-	-
Expenses not allowable	723	903	-	-
Research and development	-	(90)	-	-
Non assessable income	(10)	(373)	-	-
Losses not tax effected	2	33	-	-
Dividend received from subsidiaries	-	-	(46,978)	(13,980)
Extra territorial income tax credit	(3,515)	(3,102)	-	-
Income tax adjusted for permanent differences	111,270	82,917	(287)	(76)
Difference in overseas tax rates	14,509	7,877	-	-
Utilisation of group losses not previously recognised	(554)	(702)	-	-
Adjustments for current tax of prior periods	176	(1,139)	-	-
Income tax expense / (benefit)	125,401	88,953	(287)	(76)
<b>(c) Amounts recognised directly in equity</b>				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity.				
Net deferred tax				
Arising on equity movements in the current period	9,176	6,937	-	-
Adjustments on formation of the new Australian tax consolidated group	-	(9,552)	-	-
	9,176	(2,615)	-	-
<b>(d) Tax losses</b>				
Unused tax losses for which no deferred tax asset has been recognised	6,794	6,539	-	-
Potential tax benefit @ 30%	2,038	1,962	-	-

**Tax consolidation legislation**

The tax consolidated group formed under the relevant tax consolidation legislation of Sims Group Australia Holdings Limited and its wholly owned Australian subsidiaries ceased to exist following the scheme of arrangement on 31st October 2005. A new tax consolidated group under which Sims Group Limited is the head entity was formed on 1st November 2005. As a consequence the tax values of certain assets of entities in the new consolidated group were reset giving rise to an adjustment to deferred taxes in 2006. The accounting policy in relation to the tax consolidation legislation is set out in note 1(g).

The entities in the tax consolidated group have 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. 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.

## Sims Group Limited

Notes to the financial statements  
30 June 2007

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>8 Trade and other receivables</b>				
<b>Current</b>				
Trade receivables	291,942	307,266	-	-
Provision for doubtful receivables	(1,760)	(3,051)	-	-
	290,182	304,215	-	-
Other receivables and deferred expenses	34,980	31,559	-	-
Prepayments	13,750	17,050	-	-
Income tax paid in advance	26,263	3,195	-	-
Net tax-related amounts receivable from subsidiaries	-	-	20,679	12,428
	365,175	356,019	20,679	12,428

Further information relating to related parties and directors is set out in note 32 and details of interest rates, credit risk and fair values is set out in note 38.

**(a) Bad and doubtful trade receivables**

The Group has recognised a loss of \$0.785m (2006: \$0.986m) in respect of bad and doubtful trade receivables during the year ended 30 June 2007. The loss has been included in 'other expenses' in the income statement.

**(b) Other receivables**

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

**(c) Net tax-related amounts receivable from subsidiaries**

Refer to note 7 for details about tax sharing and compensation agreements.

**9 Inventory**

Raw materials at net realisable value	132,442	97,770	-	-
Stores and spare parts at net realisable value	27,269	22,036	-	-
Finished goods at net realisable value	214,578	213,381	-	-
	374,289	333,187	-	-

**(a) Inventory expense**

Inventories including freight inwards recognised as expense during the year amounted to:  
Write-downs of inventories to net realisable value recognised as an expense and included in 'raw materials and consumables used' in the income statement during the year amounted to:

3,937,757	2,553,257	-	-
24	297	-	-

**10 Investments accounted for using the equity method**

Shares in associates (note 30)	25,945	21,761	-	-
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**11 Other financial assets****Other (non-traded) investments**

Shares in subsidiaries (note 29)	-	-	2,506,652	2,507,184
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## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 12 Property, plant and equipment

Consolidated	Freehold Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Plant & Equipment \$'000	Capital Work In Progress \$'000	Total \$'000
<b>At 1 July 2005</b>						
Cost or fair value	111,057	47,367	15,961	367,639	12,893	554,917
Accumulated depreciation	-	-	-	(217,230)	-	(217,230)
Net book amount	111,057	47,367	15,961	150,409	12,893	337,687
<b>Year ended 30 June 2006</b>						
Opening net book amount	111,057	47,367	15,961	150,409	12,893	337,687
Additions	2,021	7,931	2,797	42,796	20,936	76,481
Disposals	-	(1,093)	-	(1,633)	-	(2,726)
Classified as held for sale or transfers	(1,188)	(4,613)	231	3,251	(3,414)	(5,733)
Depreciation/amortisation expense (note 5)	-	(2,815)	(2,706)	(35,984)	-	(41,505)
Acquisition due to purchase of subsidiaries and businesses	102,303	8,077	10,852	28,549	48,026	197,807
Revaluation increments recognised in asset revaluation	13,097	9,989	-	-	-	23,086
Revaluation losses reversed in the profit and loss	1,188	-	-	-	-	1,188
Foreign currency exchange differences	325	1,080	303	2,906	(231)	4,383
Closing net book amount	228,803	65,923	27,438	190,294	78,210	590,668
<b>At 30 June 2006</b>						
Cost or fair value	228,803	65,923	27,438	499,228	78,210	899,602
Accumulated depreciation	-	-	-	(308,934)	-	(308,934)
Net book amount	228,803	65,923	27,438	190,294	78,210	590,668
<b>Year ended 30 June 2007</b>						
Opening net book amount	228,803	65,923	27,438	190,294	78,210	590,668
Additions	1,740	3,084	1,014	22,489	62,176	90,503
Disposals	-	(78)	(803)	(2,131)	-	(3,012)
Impairment loss on fire destroyed assets	-	-	-	(6,784)	-	(6,784)
Transfer from capital work in progress to other property, plant and equipment categories	2,680	27,505	5,306	62,909	(98,400)	-
Depreciation/amortisation expense (note 5)	-	(4,584)	(3,724)	(43,258)	-	(51,566)
Acquisition due to purchase of subsidiaries and businesses	6,276	14,713	51	19,047	-	40,087
Revaluation increments recognised in asset revaluation reserve (note 22)	60,947	-	-	-	-	60,947
Foreign currency exchange differences	(20,530)	(6,384)	(2,509)	(14,009)	(6,472)	(49,904)
Closing net book amount at 30 June 2007	279,916	100,179	26,773	228,557	35,514	670,939
<b>At 30 June 2007</b>						
Cost or fair value	279,916	100,179	26,773	545,242	35,514	987,624
Accumulated depreciation	-	-	-	(316,685)	-	(316,685)
Net book amount	279,916	100,179	26,773	228,557	35,514	670,939

## Valuations of freehold land, buildings and leasehold improvements

The valuation basis of land, building and leasehold improvements is fair value being the amounts for which the assets could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties in the same location and condition. The 2007 valuations were made by the directors as at 30 June 2007. The directors assessment of the valuations was based on a combination of independent valuer reports and appraisals, recent transaction prices and local market knowledge. The 30 June 2006 valuations were made by the directors, on the same basis.

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 12 Property, plant and equipment (continued)

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Non-current assets classified as held for sale - land and buildings</b>				
Land	-	1,310	-	-
Building	-	4,423	-	-
	-	5,733	-	-

Land and buildings included in the Australian segment which were classified as held for sale at 30 June 2006 pursuant to a signed sale contract were carried at fair value net of selling costs. The sale of these was to be completed during the 2007 financial year. No profit arose on the sale.

## Carrying amounts that would have been recognised if land and buildings were stated at cost

<b>Freehold land</b>				
Cost	165,666	172,623	-	-
<b>Buildings including leasehold improvements</b>				
Cost	128,425	81,052	-	-
Accumulated depreciation	(34,566)	(20,987)	-	-
	93,859	60,065	-	-

## 13 Deferred tax assets

## Non-current

The balance comprises temporary differences attributed to:

Doubtful debts	360	3,382	-	-
Accrued expenses	4,356	660	-	-
Property, plant and equipment	5,592	2,935	-	-
Provisions	13,937	12,007	-	-
Retirement benefit obligations	-	2,997	-	-
Other	39,693	12,424	-	-
Cash flow hedges	120	288	-	-
Total deferred tax assets	64,058	34,693	-	-

Movements	Doubtful debts \$'000	Accrued expenses \$'000	Property, plant and equipment \$'000	Provisions \$'000	Retirement benefit obligations \$'000	Cash flow hedges \$'000	Other \$'000	Total \$'000
<b>Consolidated</b>								
<b>At 1 July 2005</b>	617	4,063	3,311	7,637	6,992	-	796	23,416
Change on adoption of AASB 132 and AASB 139	-	-	-	-	-	195	-	195
(Charged)/credited to the income statement	2,765	(3,457)	(376)	3,907	(4,730)	-	5,186	3,295
Charged directly to equity	-	-	-	-	(2,052)	93	-	(1,959)
Acquisition of subsidiary	-	-	-	347	2,637	-	6,399	9,383
Foreign currency exchange differences	-	54	-	116	150	-	43	363
<b>At 30 June 2006</b>	3,382	660	2,935	12,007	2,997	288	12,424	34,693
(Charged)/credited to the income statement	(3,022)	4,045	2,556	2,753	(3,147)	128	31,324	34,637
(Charged)/credited directly to equity	-	-	-	-	62	(288)	-	(226)
Acquisition of subsidiary	-	-	-	65	-	-	-	65
Foreign currency exchange differences	-	(349)	101	(888)	88	(8)	(4,055)	(5,111)
<b>At 30 June 2007</b>	360	4,356	5,592	13,937	-	120	39,693	64,058

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 14 Intangibles

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Goodwill	625,198	579,075	-	-
<b>(a) Reconciliation of consolidated movements</b>				
Opening net book amount at 1 July	579,075	110,002	-	-
Acquisition due to purchase of subsidiaries and businesses (note 29)	98,978	460,652	-	-
Foreign currency exchange differences	(52,855)	8,421	-	-
Closing net book amount at 30 June	625,198	579,075	-	-

**(b) Impairment test for goodwill**

Goodwill is allocated to the Group's cash-generating units (CGU's) identified according to country of operation.

A segment-level summary of the goodwill allocation is presented below.

Australia	13,249	8,290	
North America	489,104	486,102	
Europe	122,306	84,195	
New Zealand	539	488	
	<b>625,198</b>	<b>579,075</b>	

The recoverable amount of all CGUs is determined based on value-in-use calculations. These calculations use a five year cash flow projection based on the 2008 financial budget approved by management plus an extrapolated four year forecast. Because of the uncertainties of the commodity markets in which the Group operates, each of the four years forecast is based on the average of the previous five years actual results (2003-2007) and the 2008 financial budget using a nil growth rate. A terminal value is included in the final year of the cash flow calculation using earnings multiples appropriate to the industry. The cash flows are discounted using an after tax weighted average cost of capital of 12%. The key assumptions used by management in preparing the 2008 financial budget relate to expected commodity prices and forecast sales volumes of key products for the next 12 months. These assumptions reflect past experience. The method and key assumptions are the same as used in the preceding year.

## 15 Trade and other payables

**Current**

Trade creditors	298,001	243,931	-	-
Other creditors	76,523	90,697	47	12,568
Deferred income	5,387	7,124	-	-
Amounts payable to subsidiaries	-	-	362,638	390,963
	<b>379,911</b>	<b>341,752</b>	<b>362,685</b>	<b>403,531</b>



## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 16 Borrowings

## Non-current (unsecured)

Bank loans

Consolidated		Parent entity	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
341,326	301,459	-	-

Unsecured bank loans are subject to guarantees/cross guarantees and indemnities (as appropriate) from the parent entity and some of its subsidiaries. Further information relating to interest rates and fair values is set out in note 38.

## Financing arrangements

Entities in the consolidated group have access to the following credit standby arrangements :

Unsecured global multi-currency/multi-option loan facilities.	717,393	628,307	-	-
Amount of credit unused	376,067	326,848	-	-

Unsecured global multi-currency/multi-option loan facilities are provided by a number of the Group's bankers. The loan facilities are subject to annual reviews and have maturities in excess of 1 year and less than 3 years.

## 17 Tax liabilities

## Current

Income tax

41,374	22,343	20,316	12,352
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## Non-current

Deferred income tax

The balance comprises temporary differences attributed to:

Prepayments	625	673	-	-
Inventories	1,709	1,716	-	-
Property, plant and equipment	49,050	20,404	-	-
Retirement benefit obligations	2,135	-	-	-
Cash flow hedges	4,678	-	-	-
Other	3,536	5,951	-	-
Total deferred tax liability	61,733	28,744	-	-

Movements	Prepayments \$'000	Inventories \$'000	Property, plant and equipment \$'000	Retirement benefit obligations \$'000	Cash flow hedges \$'000	Other \$'000	Total \$'000
<b>Consolidated</b>							
<b>At 1 July 2005</b>	715	1,695	16,381	-	-	1,743	20,534
Change on adoption of AASB 132 and AASB 139 (Note 1(a))	-	-	-	-	-	-	-
(Charged)/credited to the income statement	(109)	21	9,001	-	-	2,711	11,624
(Charged)/credited directly to equity	-	-	(5,173)	-	-	794	(4,379)
Acquisition of subsidiary	-	-	-	-	-	518	518
Foreign currency exchange differences	67	-	195	-	-	185	447
<b>At 30 June 2006</b>	673	1,716	20,404	-	-	5,951	28,744
Charged/(credited) to the income statement	(49)	(7)	29,653	561	25	(2,106)	28,077
Charged directly to equity	-	-	2,105	1,574	5,271	-	8,950
Acquisition of subsidiary	-	-	1,648	-	-	-	1,648
Foreign currency exchange differences	1	-	(4,760)	-	(618)	(309)	(5,686)
<b>At 30 June 2007</b>	625	1,709	49,050	2,135	4,678	3,536	61,733

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 18 Provisions

## Current

Employee entitlements  
Other

## Non-current

Employee entitlements  
Environmental compliance

Consolidated		Parent entity	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000
16,095	17,907	-	-
1,714	2,974	-	-
17,809	20,881	-	-
9,905	9,236	-	-
9,214	10,546	-	-
19,119	19,782	-	-

## Movements in provisions

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

	Current	Non-current
	Other	Environmental
	\$'000	Compliance \$'000
<b>Consolidated - 2007</b>		
Carrying amount at start of year	2,974	10,546
Reclassifications to creditors	(582)	-
Additional provisions recognised	2,111	-
Payments	(2,766)	(60)
Foreign currency exchange differences	(23)	(1,272)
Carrying amount at end of year	1,714	9,214

Other current provisions include estimates of claims 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 for property remediation that will be required in the future. It is not expected that these costs will be incurred in the next financial year.

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 19 Retirement benefit obligations

## (a) Superannuation plans

All employees of the Group are entitled to benefits from the Group's superannuation plans on retirement, disability or death. During the year, three of the Group's plans each had a defined benefit section. The defined benefit sections provide lump sum benefits based on years of service and final average salary. All other plans receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

The following sets out details in respect of the defined benefits sections only.

## (b) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Present value of the defined benefit obligation	69,976	87,062	-	-
Fair value of defined benefit plan assets	(77,430)	(82,232)	-	-
<b>Net (asset)/liability in the balance sheet</b>	<b>(7,454)</b>	<b>4,830</b>	<b>-</b>	<b>-</b>

The Group has no legal obligation to settle any liability with an immediate contribution or additional one off contributions. The Group intends to contribute to the defined benefit section of the plans at percentage rates of salaries in line with the actuaries latest recommendations as set out in note 19(g).

## (c) Categories of plan assets

The major categories of plan assets are as follows:

Cash	3,839	1,120	-	-
Equity instruments	43,093	38,080	-	-
Debt instruments	19,597	20,881	-	-
Property	10,454	10,822	-	-
Other assets	447	11,329	-	-
	<b>77,430</b>	<b>82,232</b>	<b>-</b>	<b>-</b>

## (d) Reconciliations

*Reconciliation of the present value of the defined benefit obligation, which is fully funded (2006: partly funded):*

Balance at the beginning of the year	87,062	82,913	-	-
Current service cost	2,663	3,009	-	-
Interest cost	3,921	3,866	-	-
Actuarial gains	(2,769)	(2,602)	-	-
Benefits paid	(4,637)	(1,756)	-	-
Contributions paid by members	567	536	-	-
Curtailment / settlement adjustment	(14,554)	-	-	-
Foreign currency exchange differences	(2,277)	1,096	-	-
Balance at the end of the year	<b>69,976</b>	<b>87,062</b>	<b>-</b>	<b>-</b>

*Reconciliation of the fair value of plan assets:*

Balance at the beginning of the year	82,232	61,439	-	-
Expected return on plan assets	4,968	4,472	-	-
Actuarial gains	3,954	3,319	-	-
Contributions by Group companies	5,524	13,485	-	-
Contributions paid by members	567	536	-	-
Benefits paid	(4,637)	(1,756)	-	-
Curtailment / settlement adjustment	(12,828)	-	-	-
Foreign currency exchange differences	(2,350)	737	-	-
Balance at the end of the year	<b>77,430</b>	<b>82,232</b>	<b>-</b>	<b>-</b>

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 19 Retirement benefit obligations (continued)

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>(e) Amounts recognised in income statement</b>				
Current service cost	2,663	3,009	-	-
Interest cost	3,921	3,866	-	-
Expected return on plan assets	(4,968)	(4,472)	-	-
Curtailment / settlement gain	(1,726)	-	-	-
Total included in employee benefits expense	(110)	2,403	-	-
Actual return on plan assets	8,922	7,791	-	-
<b>(f) Amounts recognised in statement of recognised income and expense</b>				
Actuarial gain recognised in the year	6,723	5,921	-	-
Cumulative actuarial (losses) / gains recognised in the statement of recognised income and expense	5,537	(1,186)	-	-
<b>(g) Principal actuarial assumptions</b>				
The principal actuarial assumptions used were as follows:				
<i>Australia</i>				
Discount rate	5.3%	4.8%		
Expected return on plan assets	8.0%	8.0%		
Future salary increases	5.0%	5.0%		
<i>United Kingdom</i>				
Discount rate	5.8%	5.3%		
Expected return on plan assets	5.8%	5.7%		
Future salary increases	4.8%	4.5%		
<i>Europe</i>				
Discount rate	-	4.5%		
Expected return on plan assets	-	4.5%		
Future salary increases	-	3.0%		

The expected rate of return on plan assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these major categories. This resulted in the selection of the weighted average returns of plan assets for each of the defined benefit plans as set out above.

## Sims Group Limited

### Notes to the financial statements 30 June 2007

#### 19 Retirement benefit obligations (continued)

##### (h) Employer Contributions

Employer contributions to the defined benefit section of the plans are based on recommendations by the plan's actuaries. Actuarial assessments are made at no more than one yearly intervals, and the last such assessment was made as at 30 June 2007.

##### Australia

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuaries have adopted a method of funding benefits known as the aggregate funding method. This funding method seeks to have benefits funded by means of a total contribution which is expected to be a constant percentage of members' salaries over their working lifetimes.

Using the funding method described above and particular actuarial assumptions as to the plan's future experience (as detailed below), the actuary recommended in their review as at 30 June 2007, a contribution amount that would be sufficient to meet the company's obligations to the defined benefit scheme. Total employer contributions expected to be paid by Group companies for the year ending 30 June 2008 is \$1.159m, parent entity \$Nil.

The economic assumptions used by the actuaries to make the funding recommendations (depending on the fund) were a long term investment earning rate of 8.0% pa (2006: 8.0% pa) (net of fees and taxes), a salary increase rate of 5.0% pa (2006: 5.0% pa) together with an age related promotional scale, and an inflation rate of 5.3% pa (2006: 4.8% pa).

##### United Kingdom

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the attained age method. This seeks to have future benefit accrual funded by means of a total contribution which is expected to be a constant percentage of members' salaries over their working lifetimes.

Using the funding method described above and particular actuarial assumptions as to the plan's future experience (as detailed below), the actuary recommended in their review as at 30 June 2007, a contribution amount that would be sufficient to meet the company's obligations to the defined benefit scheme. Total employer contributions expected to be paid for the year ending 30 June 2008 is approximately \$1.345m.

The economic assumptions used by the actuary for funding purposes used to make the funding recommendations were a long term investment return of 5.75% pa (2006: 6.5% pa), a salary increase rate of 4.8% (2006: 4.5% pa), and an inflation rate of 3.30% pa (2006: 2.5% pa).

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 19 Retirement benefit obligations (continued)

## (h) Employer Contributions (continued)

## Europe

Effective 1 January 2006 the Group terminated its European defined benefits plan. The final assets and benefit obligations, as determined by an independent actuary, were transferred from the Sims Group Dutch Pension Scheme to an industry wide multi-employer plan (BPME). An obligation to contribute a further \$2.066m to BPME has been recognised in other creditors at 30 June 2007 and has been included in determining the net gain on terminating the plan.

The BPME plan is a defined benefit plan. However, the Group has been advised by BPME that because it is a multi-employer plan insufficient information is available to enable the Group to account for the plan as a defined benefit plan. Accordingly, this plan has been accounted for as though it were a defined contribution plan.

Prior to the termination of the Sims Group Dutch Pension Scheme, the objective of funding was to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary adopted a method of funding benefits known as the attained age method. This sought to have future benefit accrual funded by means of a contribution which is expected to be a constant percentage of members' salaries over their working lifetimes.

## (i) Historic summary

Defined benefit plan obligation  
Plan assets  
(Surplus) / deficit

Experience adjustments arising on plan liabilities  
Experience adjustments arising on plan assets

Information for years prior to 2005 is not available.

2007 \$'000	Consolidated	
	2006 \$'000	2005 \$'000
69,976	87,062	82,913
(77,430)	(82,232)	(60,720)
(7,454)	4,830	22,193
(2,769)	(2,602)	9,687
(3,954)	(3,319)	(2,580)



## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 20 Contributed equity

## (i) Share capital

Ordinary shares - fully paid

Consolidated		Parent entity	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000
811,976	780,108	2,132,632	2,100,764

## Movement in ordinary share capital - fully paid

Details	Date	Number of shares issued by :		Issue price \$	Equity carrying amount \$'000	
		Sims Group Australia Holdings Limited	Sims Group Limited		Consolidated	Parent Entity
Opening Balance	1 July 2005	91,086,086	-	-	220,665	-
Issued on exercise of options under the Option Plan (note 27(ii))	8 July 2005	193,798	-	6.75	1,309	-
Shares exchanged under Scheme of Arrangement		91,279,884				
Issued on incorporation of Sims Group Limited	20 June 2005		1			
Issued in exchange for shares in Sims Group Australia Holdings Limited*	31 October 2005	91,279,884		16.90	-	1,542,630
Issued on acquisition of Hugo Neu Corporation operations*	31 October 2005	32,137,071		16.90	543,117	543,117
Issued under the dividend reinvestment plan	13 April 2006	856,529		17.49	15,017	15,017
Issued on exercise of restricted stock units (note 27(iii))	30 June 2006	43,799		-	-	-
Balance	30 June 2006	124,317,284			780,108	2,100,764
Issued under the dividend reinvestment plan	20 October 2006	742,970		20.91	15,536	15,536
Exercise of options issued under the Sims Group Performance Rights Plan	31 October 2006		20,000	-	-	-
Shares issued under the Long Term Incentive Plan recognised as issued following repayment of associated employee loans.	1 July 2006 - 30 June 2006	127,361		14.99	1,872	1,872
Issued under the dividend reinvestment plan	10 April 2007	640,065		22.59	14,460	14,460
Exercise of options issued under the Sims Group Performance Rights Plan	4 May 2007	3,983		-	-	-
<b>Balance at the end of the financial year for accounting purposes</b>	30 June 2007	125,851,663			811,976	2,132,632
Issue of ordinary shares under the Sims Group Employee Share Plan deemed to be options for accounting purposes (note 27(i))	22 July 2005	59,803			-	-
Issue of ordinary shares under the Sims Group Employee Share Plan deemed to be options for accounting purposes (note 27(i))	28 July 2006	131,545			-	-
<b>Balance at the end of the financial year per share register</b>	30 June 2007	126,043,011			811,976	2,132,632

\* Fair value of shares issued based on Sims Group Limited closing share price of \$16.90 on the date of issue (31 October 2005).

## 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. Ordinary shares have no par value.

## (ii) Options including ordinary shares deemed to be options noted above

During the financial year 169,376 (2006: 661,562) options over ordinary shares were granted and 151,344 (2006: 237,597) options were exercised. The number of options outstanding at the end of the financial year was 576,070 (2006: 617,763). Further details on options are set out in note 27(vi). With the exception of the shares issued under the Sims Group Employee Share Plan, options carry no voting rights.

## Sims Group Limited

Notes to the financial statements  
30 June 2007

		Consolidated		Parent entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>21 Statements of changes in equity</b>					
<b>Total equity at the beginning of the financial year</b>		<b>1,196,785</b>	517,456	<b>2,103,729</b>	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax to:					
Retained profits	22	-	(455)	-	-
<b>Restated total equity at the beginning of the financial year</b>		<b>1,196,785</b>	517,001	<b>2,103,729</b>	-
Total recognised income and expense for the year		<b>243,190</b>	246,127	<b>155,924</b>	46,422
Transactions with equity holders in their capacity as equity holders:					
Dividends provided for or paid	23	(150,022)	(128,310)	(150,022)	(45,981)
Share ownership and option plan expense	27(iv)	2,831	2,524	2,831	2,524
Issue of ordinary shares, net of transaction costs	20	31,868	559,443	31,868	2,100,764
<b>Total equity at the end of the financial year</b>		<b>1,324,652</b>	1,196,785	<b>2,144,330</b>	2,103,729
<b>22 Reserves and retained profits</b>					
<b>Reserves</b>					
Asset revaluation reserve		136,477	77,635	-	-
Share-based payments reserve		5,355	2,524	5,355	2,524
Cash flow hedging reserve		9,049	(72)	-	-
Foreign currency translation reserve		(85,609)	(1,250)	-	-
		<b>65,272</b>	78,837	<b>5,355</b>	2,524
Movements in reserves were :					
<b>Asset revaluation reserve</b>					
Balance 1 July		77,635	50,170	-	-
Increment on revaluation of land, buildings and leasehold improvements		60,947	23,086	-	-
Deferred tax on current year movements		(2,105)	(5,173)	-	-
Deferred tax adjustments on formation of the new Australian tax consolidated group		-	9,552	-	-
Balance 30 June		<b>136,477</b>	77,635	-	-
<b>Share-based payments reserve</b>					
Balance 1 July		2,524	-	2,524	-
Share ownership and option plan expense (note 27(v))		2,831	2,524	2,831	2,524
Balance 30 June		<b>5,355</b>	2,524	<b>5,355</b>	2,524
<b>Cash flow hedging reserve</b>					
Balance 1 July		(72)	-	-	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax		-	(455)	-	-
Revaluation		14,320	(360)	-	-
Deferred tax on revaluation		(5,271)	288	-	-
Transfer to net profit - gross		360	650	-	-
Deferred tax on transfer to net profit		(288)	(195)	-	-
Balance 30 June		<b>9,049</b>	(72)	-	-
<b>Foreign currency translation reserve</b>					
Balance 1 July		(1,250)	(19,014)	-	-
Currency exchange differences arising during the year		(84,359)	17,764	-	-
Balance 30 June		<b>(85,609)</b>	(1,250)	-	-

**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(r). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

**Share-based payments reserve**

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

**Cash flow hedging reserve**

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(p). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

## Sims Group Limited

Notes to the financial statements  
30 June 2007

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>22 Reserves and retained profits (continued)</b>				
<b>Foreign currency translation reserve</b>				
Exchange differences arising on translation of investment in the net assets of foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.				
<b>Retained profits</b>				
Retained profits at the beginning of the financial year	337,840	265,635	441	-
Net profit attributable to members of Sims Group Limited	254,375	196,646	155,924	46,422
Dividends paid (note 23)	(150,022)	(128,310)	(150,022)	(45,981)
Actuarial gain on retirement benefit obligations (net of tax)	5,211	3,869	-	-
Retained profits at the end of the financial year	447,404	337,840	6,343	441
<b>23 Dividends</b>				
<b>Ordinary shares</b>				
Final dividend for the year ended 30 June 2006 paid at 60c per share franked at 51% based on tax paid @ 30% (2005: Final dividend for the year ended 30 June 2005 paid at 70c per share plus an additional special dividend of 20c per share both franked at 60% based on tax paid @ 30%)	74,782	82,329	74,782	-
Interim dividend for the year ended 30 June 2007 paid at 60 cents per fully paid ordinary share, franked at 57% based on tax paid at 30% (2006: Interim dividend for the year ended 30 June 2006 paid at 45 cents per fully paid ordinary share, franked at 47% based on tax paid at 30%)	75,240	45,981	75,240	45,981
Total dividends paid	150,022	128,310	150,022	45,981
<b>Dividends not recognised at year end</b>				
Since year end the directors have determined the payment of a final dividend of 60c per fully paid ordinary share, franked at 51% based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 19 October 2007 out of consolidated retained profits at 30 June 2007, but not recognised as a liability at year end.	75,660	74,702	75,660	74,702
<b>Franked Dividends</b>				
The franked portion of dividends determined after 30 June 2007 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 2008.				
Franking credits available for the subsequent financial year based on tax rate of 30% (2006: 30%)	30,706	22,777	30,706	22,777

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 will arise from the payment of dividends recognised as a liability as at the reporting date, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend determined by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$16.5m (2006: \$16.3m).

## Sims Group Limited

Notes to the financial statements  
30 June 2007

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

**24 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 subsidiaries, 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.

	7,917	8,309	-	-
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**Subsidiaries**

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 29. The controlled entities are not in liquidation and there is no indication that they will be wound up.

**25 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	9,482	11,313	-	-
- for the acquisition of land and buildings	4,473	68	-	-
	13,955	11,381	-	-

Commitments included above relating to joint venture operations and associate companies

- for the acquisition of plant and equipment	-	301	-	-
- for the acquisition of land and buildings	-	68	-	-
	-	369	-	-

The above amounts include Sims Group share of joint ventures and equity accounted associates.

**26 Lease commitments**

Commitments in relation to leases contracted for at balance date but not recognised as liabilities, payable:

Not later than one year	35,834	30,736	-	-
Later than one, but not later than five years	86,625	79,810	-	-
Later than five years	54,542	61,247	-	-
	177,001	171,793	-	-

Representing :

Cancellable operating leases	3,510	2,710	-	-
Non-cancellable operating leases	173,491	169,083	-	-
	177,001	171,793	-	-

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Not later than one year	34,229	29,493	-	-
Later than one, but not later than five years	84,720	78,343	-	-
Later than five years	54,542	61,247	-	-
	173,491	169,083	-	-

The above amounts include Sims Group share of joint ventures and equity accounted associates.

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 27 Share ownership and option plans

## (i) Employee share plan

The Executive Long Term Incentive Plan ('LTI Plan') has been established to encourage employees to share in the ownership of the Company, in order to promote the long-term success of the Company as a goal shared by the employees. Offers of shares under the Plan are at the discretion of the parent Company and have been made to Australian based employees in the financial year 2007. The parent Company provides financial assistance in the form of a share secured non-interest bearing employee loan. The loan is repayable in full within five years after the financial assistance is provided or such longer period and in such a manner as the Company may determine.

The beneficial ownership of these shares will vest with employees in line with achievement of continuous service and non-market based performance criteria. The continuous service criterion is met if the 'Participant' is in the employ of the Company at vesting. Periods of continuous service vary according to the vesting periods of the shares that have been offered while non-market based performance criteria are satisfied if the average annual compound growth in the diluted earnings per share of the Company of between 5% and 10% is achieved over periods which vary between three and five years. There is no reward if less than 5% EPS growth is achieved. Holders of the shares are entitled to dividends over the term of the relevant vesting period.

During the period, \$2,463,838 (2006: \$2,805,588) was advanced to participating employees to enable them to acquire 131,545 shares (2006: 187,164) at \$18.73 (2006: \$14.99), being 0.12% of the issued capital of the parent entity. The acquisition price of these shares was based on the five-day weighted average price of that company's shares leading up to the date of issue being 28 July 2006.

These shares are deemed to be share options rather than issued share capital for accounting purposes (refer Note 20(ii)). Under AASB 2 *Share Based Payment*, the weighted average fair value of these instruments amounted to \$6.78 each at grant date for executives who commenced in the LTI Plan in the financial year 2003, and \$7.66 for executives who commenced in the LTI Plan in financial year 2007. Fair value has been determined by using the Monte-Carlo Binomial Options Pricing Model. Inputs in the model include expected volatility of 25% pa, the relevant vesting period, a dividend yield of 5.5% pa, a risk free rate of 5.22% pa and an assessment of the probability of achievement of continuous service and non-market based performance criteria.

## (ii) Restricted stock units

During the year ended 30 June 2006, the Company granted Restricted Stock Units ('RSUs') to select North American executives. An RSU provides the executive with a contractual right to acquire one ordinary share in Sims Group Limited for nil consideration. These RSUs vest based on achievement of continuous service. Continuous service ranges from 8 months (from 1 November 2005) to 3 years and 8 months (until June 2009). Holders of the RSU are not entitled to dividends over the term of the relevant vesting period.

During the year ended 30 June 2007, the Company granted RSUs to select North American executives. RSUs vest with executives in line with achievement of continuous service and non-market based performance criteria. The continuous performance criteria is met if the 'Participant' is in the employ of the Company at vesting. Continuous service is approximately 3 years from grant of the RSU while non-market based performance criteria is satisfied if the average annual compound growth in diluted earnings per share of the Company of between 5% and 10% is achieved over a three year period. There is no reward if less than 5% EPS growth is achieved.

RSUs are granted for no consideration and vest over dates ranging from 30 June 2006 to 30 June 2009. The weighted average fair value of RSUs granted amounted to \$14.72 each at grant date. Fair value has been determined with reference to a dividend yield of 5.5%pa, expected vesting dates and an assessment of the probability of achievement of continuous service and then applicable non-market based performance criteria. The number of RSUs issued was based upon a Company share price of \$16.68 being the price applicable at the date the RSUs were granted.

Set out below is a summary of RSUs in the Company:

Grant date	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of year
1 November 2005	280,708	-	-	(59,725)	220,983	68,683
28 July 2006	-	11,028	-	-	11,028	11,028
	280,708	11,028	-	(59,725)	232,011	79,711

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 27 Share ownership and option plans (continued)

## (iii) Performance rights

A performance right is a contractual right to acquire an ordinary share in Sims Group Limited for nil consideration. These performance rights vest based on the achievement of both continuous service and non-market based performance criteria. Continuous service covers periods extending to 30 October 2010 for the Group Chief Executive, 30 June 2008 for the Executive Director - Group Finance and Strategy and 30 June 2009 for the Senior Vice President - Asia, Sims Recycling Solutions. The non-market based performance criteria are measured with reference to a target earnings per share compound annual growth rate of 8% on Sims Group Limited shares for periods up to 30 June 2010 for the Group Chief Executive, 30 June 2008 for the Executive Director - Group Finance and Strategy and 30 June 2009 for the Senior Vice President - Asia, Sims Recycling Solutions, subject to periodic retesting.

The total number of performance rights granted during the financial year in respect of these three executives amounted to 10,444 (2006: 149,891). The weighted average fair value of performance rights granted during the year amounted to \$19.15 (2006: \$14.18 in respect of the Group Chief Executive and \$14.81 in respect of the Executive Director - Group Finance and Strategy). Fair value has been determined with reference to a dividend yield of 5.5%pa, expected vesting dates and an assessment of the probability of achievement of continuous service and non-market based performance criteria.

During the year ended 30 June 2007, the Company granted performance rights to select United Kingdom executives. These performance rights vest with executives in line with achievement of continuous service and non-market based performance criteria. The continuous performance criteria is met if the 'Participant' is in the employ of the Company at vesting. Continuous service vary according to the vesting periods of the performance rights that have been offered while non-market based performance criteria is satisfied if the average annual compound growth in diluted earnings per share of the Company of between 5% and 10% is achieved over a three year period. There is no reward if less than 5% EPS growth is achieved.

Set out below is a summary of performance rights in the Company:

Grant date	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of year
31 October 2005	119,913	-	(23,983)	-	95,930	-
18 November 2005	29,978	-	-	-	29,978	14,989
10 July 2006	-	10,444	-	-	10,444	2,611
28 July 2006	-	16,359	-	-	16,359	-
	149,891	26,803	(23,983)	-	152,711	17,600

## (iv) Effect of share based payments on profit and loss

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee share plan	922	886	-	-
Restricted stock units	1,237	1,350	-	-
Performance rights issued	672	288	-	-
	2,831	2,524	-	-

## (v) Summary of share ownership and option plan grants

	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
Employee share plan	187,164	131,545	(127,361)	-	191,348	59,803
Restricted stock units	280,708	11,028	-	(59,725)	232,011	79,711
Performance rights	149,891	26,803	(23,983)	-	152,711	17,600
	617,763	169,376	(151,344)	(59,725)	576,070	157,114



## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 28 Key management personnel disclosures

## (a) Directors

The following persons were directors of Sims Group Limited during the financial year:

(i) *Chairman - non-executive*  
P Mazoudier

(ii) *Executive directors*  
J Neu, Vice Chairman (resigned 6 June 2007)  
JL Sutcliffe, Group Chief Executive  
RB Cunningham, Executive Director - Group Finance and Strategy

(iii) *Non-executive directors*  
GN Brunsdon  
B Every  
JM Feeney  
M Iwanaga (appointed 12 June 2007)  
C Renwick, AM (appointed 12 June 2007)  
P Varello

## (b) Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

<i>Name</i>	<i>Position</i>
R Kelman	President & COO Sims Group USA Corporation - (appointed 16 February 2007)
CR Jansen	Chief Executive Sims Hugo Neu - (resigned 31 December 2006)
DR McGree	Managing Director - Simsmetal Australia & New Zealand
WT Bird	Managing Director - Metals Recycling - UK
G Davy	Managing Director - Sims Recycling Solutions - Europe & North America

## (c) Key management personnel compensation

	Consolidated		Parent entity	
	2007 \$	2006 \$	2007 \$	2006 \$
Short-term benefits	8,787,184	7,759,652	2,369,430	1,270,987
Long-term benefits	1,182,608	1,198,960	-	-
Post-employment benefits	690,771	1,373,587	-	-
Termination benefits	1,456,170	-	-	-
Share based payments	1,184,890	1,367,489	-	-
	<b>13,301,623</b>	<b>11,699,688</b>	<b>2,369,430</b>	<b>1,270,987</b>

The company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report.

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 28 Key management personnel disclosures (continued)

## (d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report.

(ii) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Sims Group Limited and other key management personnel, including their personally related parties, are set out below.

2007 Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
<b>Directors of Sims Group Limited</b>							
PK Mazoudier	-	-	-	-	-	-	-
J Neu (resigned 6 June 2007)	-	-	-	-	-	-	-
JL Sutcliffe							
Employee share plan	90,517	36,738	-	(90,517)	36,738	-	36,738
Performance rights	119,913	-	(23,983)	-	95,930	-	95,930
RB Cunningham							
Employee share plan	11,879	10,417	(11,879)	-	10,417	-	10,417
Performance rights	29,978	-	-	-	29,978	-	29,978
GN Brunsdon	-	-	-	-	-	-	-
B Every	-	-	-	-	-	-	-
JM Feeney	-	-	-	-	-	-	-
M Iwanaga (appointed 12 June 2007)	-	-	-	-	-	-	-
C Renwick, AM (appointed 12 June 2007)	-	-	-	-	-	-	-
P Varello	-	-	-	-	-	-	-
	252,287	47,155	(35,862)	(90,517)	173,063	-	173,063
<b>Other key management personnel of the Group</b>							
R Kelman							
Restricted stock units	59,725	-	-	-	59,725	14,931	44,794
CR Jansen (resigned 31 December 2006)							
Restricted stock units	59,725	-	-	(59,725)	-	-	-
DR McGree							
Employee share plan	9,427	8,185	(9,427)	-	8,185	-	8,185
WT Bird							
Performance rights	-	2,788	-	-	2,788	-	2,788
G Davy							
Performance rights	-	3,003	-	-	3,003	-	3,003
	128,877	13,976	(9,427)	(59,725)	73,701	14,931	58,770

No other director or key management personnel held, was granted or exercised any options.

2006 Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
<b>Directors of Sims Group Limited</b>							
PK Mazoudier	-	-	-	-	-	-	-
JL Sutcliffe							
Option plan	193,798	-	(193,798)	-	-	-	-
Employee share plan	-	90,517	-	-	90,517	-	90,517
Performance rights	-	119,913	-	-	119,913	-	119,913
RB Cunningham	-	-	-	-	-	-	-
Employee share plan	-	11,879	-	-	11,879	-	11,879
Performance rights	-	29,978	-	-	29,978	-	29,978
GN Brunsdon	-	-	-	-	-	-	-
AC Copeman (retired 18 November 2005)	-	-	-	-	-	-	-
JM Feeney	-	-	-	-	-	-	-
P Varello (appointed 31 October 2005)	-	-	-	-	-	-	-
	193,798	252,287	(193,798)	-	252,287	-	252,287
<b>Other key management personnel of the Group</b>							
CR Jansen	-	-	-	-	-	-	-
Restricted stock units	-	79,634	(19,909)	-	59,725	-	59,725
DR McGree	-	-	-	-	-	-	-
Employee share plan	-	9,427	-	-	9,427	-	9,427
WT Bird	-	-	-	-	-	-	-
G Davy	-	-	-	-	-	-	-
RR Brown	-	-	-	-	-	-	-
	-	89,061	(19,909)	-	69,152	-	69,152

No other director or key management personnel held, was granted or exercised any options.

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 28 Key management personnel disclosures (continued)

## (iii) Share holdings

The numbers of shares in the company during the financial year by each director of Sims Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2007 Name	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
<b>Directors of Sims Group Limited</b>				
PK Mazoudier	14,082	-	-	14,082
J Neu, Vice Chairman (resigned 6 June 2007)	32,263,924	-	(32,263,924)	-
JL Sutcliffe	100,517	23,983	(108,983)	15,517
RB Cunningham	11,879	-	(11,879)	-
GN Brunson	3,312	-	185	3,497
B Every	4,000	-	-	4,000
JM Feeney	25,504	-	-	25,504
P Varello	-	-	4,600	4,600
M Iwanaga (appointed 12 June 2007)	-	-	-	-
C Renwick, AM (appointed 12 June 2007)	-	-	-	-
	32,423,218	23,983	(32,380,001)	67,200
<b>Other key management personnel of the Group</b>				
R Kelman	-	-	-	-
CR Jansen (resigned 31 December 2006)	19,909	-	(19,909)	-
DR McGree	9,427	-	(9,427)	-
WT Bird	-	-	-	-
G Davy	-	-	-	-
	29,336	-	(29,336)	-

2006 Name	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
<b>Directors of Sims Group Limited</b>				
PK Mazoudier	14,082	-	-	14,082
J Neu, Vice Chairman (appointed 31 October 2005)	-	-	32,263,924	32,263,924
JL Sutcliffe	2,000	193,798	(95,281)	100,517
RB Cunningham	-	-	11,879	11,879
GN Brunson	3,250	-	62	3,312
AC Copeman (retired 18 November 2005)	7,791	-	(7,791)	-
B Every (appointed 24 October 2005)	-	-	4,000	4,000
JM Feeney	25,504	-	-	25,504
P Varello (appointed 31 October 2005)	-	-	-	-
	52,627	193,798	32,176,793	32,423,218

The shares issued to J Neu formed part of the consideration paid for the purchase by Sims Group Limited of the recycling operations in North America from Hugo Neu Corporation.

## Other key management personnel of the Group

CR Jansen	-	19,909	-	19,909
DR McGree	-	-	9,427	9,427
WT Bird	-	-	-	-
G Davy	-	-	-	-
RR Brown	-	-	-	-
	-	19,909	9,427	29,336

## (e) Other transactions with key management personnel

Transactions entered into with directors of Sims Group Limited and other key management personnel of the Group, including their personally related parties are at normal commercial terms.

**Sims Group Limited**  
**Notes to the financial statements**  
**30 June 2007**

**29 Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with accounting policy described in note 1(b).

Name of entity (indentation indicates ownership relationship)	Note	Country of incorporation	Equity holding	
			2007 %	2006 %
<b>Sims Group Limited</b>				
Sims Group Australia Holdings Limited	(i)	Australia	100	100
PNG Recycling Limited		PNG	100	100
Sims Aluminium Pty Limited	(i)	Australia	100	100
Sims E-Recycling Pty Limited		Australia	90	90
Sims Group Canada Holdings Limited		Canada	100	100
Sims Tyrecycle Properties Pty Limited		Australia	100	100
Sims Tyrecycle Pty Limited	(i)	Australia	100	100
Simsmetal Holdings Pty Limited		Australia	100	100
Sims Asia Holdings Limited		Hong Kong	100	100
Sims Energy Pty Limited		Australia	100	100
Sims Industrial Pty Limited		Australia	100	100
Simsmetal Industries Limited		New Zealand	100	100
Simsmetal Services Pty Limited	(i)	Australia	100	100
Sims Manufacturing Pty Limited		Australia	100	100
Simsmetal Executive Staff Superannuation Pty Limited		Australia	100	100
Universal Inspection and Testing Company Pty Limited		Australia	100	100
Simsmetal Staff Equity Pty Limited		Australia	100	100
Sims Group UK Holdings Limited		UK	100	100
Sims Group UK Intermediate Holdings Limited		UK	100	100
Sims Group UK Limited		UK	100	100
Mirec AB		Sweden	100	100
Mirec BV		The Netherlands	100	100
Sims Recycling Solutions NV (formerly Mirec NV)		Belgium	100	100
Sims Recycling Solutions UK Holding Limited (formerly Mirec Limited)		UK	100	100
Sims Recycling Solutions UK Group Limited (formerly Mirec Asset Management Group Limited)		UK	100	100
Sims Recycling Solutions UK Limited (formerly Mirec Asset Management Limited)		UK	100	100
Frazier Europe Limited	(iii)	UK	-	100
Lot 1 Co UK Limited	(iii)	UK	-	100
Sims Cymru Limited (ii)	(ii)	UK	100	-
Sims Group German Holdings GmbH (ii)	(ii)	Germany	100	-
Sims M+R GmbH (ii)	(ii)	Germany	100	-
Simsmetal UK (Glos) Limited	(iii)	UK	-	100
Simsmetal UK (Northern) Limited	(iii)	UK	-	100
Simsmetal UK (Reclamation) Limited	(iii)	UK	-	100
Simsmetal UK (SouthEast) Limited	(iii)	UK	-	100
Blackbushe Metals (Western) Limited	(iii)	UK	-	100
Simsmetal UK (Fraser) Limited	(iii)	UK	-	100
Simsmetal UK (Elliott) Limited	(iii)	UK	-	100
Simsmetal UK (SouthWest) Limited	(iii)	UK	-	100
Simsmetal UK (Wessex) Limited	(iii)	UK	-	100
SK Stainless Limited	(iii)	UK	-	100
United Castings Limited		UK	100	100
Sims Recycling Solutions Canada Limited		Canada	100	-
United Recycling Industries Inc		USA	100	-
Sims Group Recycling Solutions USA Corporation		USA	100	-
United Recycling International Corporation		USA	100	-
United Refining & Smelting Co		USA	100	-
United Technology Services Inc		USA	100	-
Universal Integration Circuits Corporation		USA	100	-
Simsmetal UK (Midwest) Limited	(iii)	UK	-	100
Simsmetal UK (Southern) Limited	(iii)	UK	-	100
Simsmetal UK Pension Trustees Limited		UK	100	100
Simsmetal UK Recycling Limited	(iii)	UK	-	100

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 29 Subsidiaries (continued)

Name of entity (indentation indicates ownership relationship)	Note	Country of incorporation	Equity holding	
			2007 %	2006 %
Sims Group USA Holdings Corporation ( <i>formerly Sims Hugo Neu Corporation</i> )		USA	100	100
SHN Co LLC		USA	100	100
HNW Recycling LLC		USA	100	100
HNE Recycling LLC		USA	100	100
Alameda Street Metal Corp	(iii)		-	100
Dover Barge Company	(vii)	USA	100	100
North Carolina Resource Conservation LLC		USA	100	100
North Carolina Recycling LLC	(iv)		-	100
Pacific Bulk Loading Inc	(iii)		-	100
Pacific Industrial Metal Corp	(iii)		-	100
Simsmetal East LLC ( <i>formerly Sims Hugo Neu East LLC</i> )	(vii)	USA	100	100
Schiabo Larovo Corporation	(ii)	USA	100	-
Schiabo Larovo Company LLC	(v)		-	100
Schiabo Larovo AR LLC	(v)		-	100
Simsmetal West LLC ( <i>formerly Sims Hugo Neu West LLC</i> )	(vii)	USA	100	100
Etiwanda Development LLC	(iii)		-	100
Sims Group Global Trade Corporation ( <i>formerly Sims Hugo Neu Global Trade Corporation</i> )	(ii)	USA	100	-
Sims Hugo Neu Global Trade LLC	(vi)		-	100
HNS Scrap Corporation	(iii)		-	100
Sims Group USA Corporation		USA	100	100

(i) These subsidiaries and the Company are parties to a Deed of Cross Guarantee under which each entity guarantees the debts of the others. The above entities represent a Closed Group and an Extended Closed Group for the purposes of the relevant Australian Securities & Investments Commission Class Order.

(ii) These subsidiaries were acquired or incorporated during the year.

(iii) These subsidiaries were de-registered or liquidated during the year.

(iv) The entity was merged into North Carolina Resource Conservation LLC

(v) These entities were merged into Schiabo Larovo Corporation

(vi) The entity was merged into Sims Hugo Neu Global Trade Corporation

(vii) These subsidiaries are 50% owned by HNW Recycling LLC and 50% owned by HNE Recycling LLC.

The voting power held in each subsidiary is proportionate to the equity holdings.

## Sims Group Limited

### Notes to the financial statements 30 June 2007

#### 29 Subsidiaries (continued)

##### Subsidiaries and businesses acquired during the year ended 30 June 2007:

###### Acquisition of Metall + Recycling GmbH

On 12 October 2006 Sims Group UK Holdings Limited purchased the issued capital of Metall + Recycling GmbH with effect from 1 October 2006 for \$42.823m. The business is a specialist recycler of electrical and electronic equipment and a processor of non-ferrous metals produced as a by-product of conventional scrap metal shredding plants. It utilises technology to maximise the recovery of metallic and non-metallic materials. The business is located in Germany. The acquired business contributed net profit before interest and tax of \$13.8 million for the period 1 October 2006 to 30 June 2007. Net profit before interest and tax of the acquired businesses for the period 1 July 2006 to 30 June 2007, as if the acquisition had occurred at the beginning of this period was \$28.3 million. The amounts recognised by the vendor immediately before acquisition for each class of asset and liability were not significantly different from the fair values included in the table below.

###### Acquisition of Cymru Metals Recycling Ltd

On 19 December 2006 Sims Group UK Holdings Limited purchased the issued capital of Cymru Metals Recycling Ltd for \$18.718m. The business collects and disposes of ferrous and non-ferrous materials and services customers throughout England and Wales. The business is located in Wales UK. Contribution to the results of Sims Group post acquisition are not material. Consolidated revenue and net profit before tax of the acquired businesses for the period 1 July 2006 to 30 June 2007, as if the acquisition had occurred at the beginning of this period are unavailable as Cymru Metals Recycling Ltd was incorporated shortly before it acquired the business of the vendor. The amounts recognised by the vendor immediately before acquisition for each class of asset and liability were not significantly different from the fair values included in the table below.

###### Acquisition of Maroochy Steel Supplies

On 11 December 2006 Sims Group Australia Holdings Limited purchased the assets and business of Maroochy Steel Supplies for \$1.413m. The business is leading the way in supplying customers with quality steel products through a cut to size service. The business is located in Queensland, Australia. Contribution to the results of Sims Group post acquisition are not material. The amounts recognised by the vendor immediately before acquisition for each class of asset and liability were not significantly different from the fair values included in the table below.

###### Acquisition of Menzies Metals Recycling

On 31 January 2007 Sims Group Australia Holdings Limited purchased the assets and business of Menzies Metals Recycling for \$6.351m. Menzies Metals Recycling operates a metal recycling business in the Seaford area of Melbourne, Australia. Contribution to the results of Sims Group post acquisition are not material. The amounts recognised by the vendor immediately before acquisition for each class of asset and liability were not significantly different from the fair values included in the table below.

###### Acquisition of United Recycling Industries Inc

On 23 February 2007 Sims Group UK Limited purchased the issued capital of United Recycling Industries Inc for \$53.097m. The business is a fully integrated recycler offering a full range of recycling services including collection, refurbishment and re-sale of working equipment, chip recovery for re-sale, mechanical processing of monitors, mechanical recycling of e-waste and secondary smelting and refining of high grade electronics material. The acquired business contributed net profit before interest and tax of \$5.5 million for the period 24 February 2007 to 30 June 2007. Consolidated revenue and net profit before interest and tax of the acquired businesses for the period 1 July 2006 to 30 June 2007, as if the acquisition had occurred at the beginning of this period was approximately \$16.0 million. The amounts recognised by the vendor immediately before acquisition for each class of asset and liability were not significantly different from the fair values included in the table below.

###### Acquisition of the Noranda recycling business

On 30 April 2007 Sims Group UK Limited purchased the end of life recycling assets of Xstrata Copper Canada's electronics recycling business for \$15.571m. The business operates in Roseville California, Brampton Canada and LaVergne Tennessee and offers bespoke asset recovery and e-recycling services including mechanical processing. The acquired business contributed net profit before interest and tax of \$0.2 million for the period 1 May 2007 to 30 June 2007. Consolidated revenue and net profit before interest and tax of the acquired businesses for the period 1 July 2006 to 30 June 2007, as if the acquisition had occurred at the beginning of this period is not available. The amounts recognised by the vendor immediately before acquisition for each class of asset and liability were not significantly different from the fair values included in the table below.

##### Subsidiaries and businesses acquired during the year ended 30 June 2006:

On 31 October 2005 Sims Group Limited acquired substantially all of the recycling operations of Hugo Neu Corporation. The consideration given comprised of 32,137,071 ordinary shares in Sims Group Limited with a fair value of \$543.1m and the balance paid/payable in cash.

The acquisition amounts in the parent company shown under the heading of investments in the table below, comprise the shares acquired in the former Hugo Neu operations as described above (\$587.6m), 100% of the shares in Sims Group Australia Holdings Limited as a consequence of the group restructure as described in note 1(a) (\$1,542.6m) and the acquisition of Sims Group UK Holdings Limited from Sims Group Australia Holdings Limited for \$377.0m on 29 June 2006.

In 2007, when settling the deferred consideration due an adjustment of \$532,000 was made reducing the cost of the parent company's investment in the former Hugo Neu operations.



## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 29 Subsidiaries (continued)

## Fair value of assets and liabilities as at acquisition dates

The amounts set out in the table below reflect fair values of assets and liabilities acquired and goodwill at the respective acquisition dates. The data is provided in aggregate as no acquisition itself was significant enough to require separate disclosure. The data included in the comparative amounts below supersede the provisional information included in the annual report for the period to 30 June 2006.

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash	2,902	3,354	-	-
Receivables	39,506	138,171	-	-
Prepayments	714	5,278	-	-
Inventories	24,452	78,094	-	-
Property, plant & equipment	40,087	197,807	-	-
Deferred tax asset	65	9,383	-	-
Investments	-	-	(532)	2,507,184
Trade and other creditors	(30,550)	(68,296)	-	-
Bank loans	(11,807)	(226,425)	-	-
Deferred tax liability	(1,648)	(518)	-	-
Employee entitlement provisions	(372)	(1,156)	-	-
Environmental provision	-	(8,790)	-	-
Provision for income tax	(15,103)	-	-	-
<b>Net assets of entity</b>	<b>48,246</b>	<b>126,902</b>	<b>(532)</b>	<b>2,507,184</b>
Goodwill on acquisition	98,978	460,652	-	-
<b>Consideration</b>	<b>147,224</b>	<b>587,554</b>	<b>(532)</b>	<b>2,507,184</b>
<b>Consideration</b>				
Cash	133,187	13,459	-	-
Deferred consideration accrued	9,251	12,568	-	12,568
Shares issued (note 20)	-	543,117	-	2,085,747
Purchase consideration payable to subsidiary re Sims Group UK Holdings	-	-	-	377,000
Limited acquisition	-	-	-	-
Balance of purchase consideration payable to subsidiary Re Hugo Neu operations acquisition	-	-	(532)	13,459
Total consideration payable / paid to vendor	142,438	569,144	(532)	2,488,774
Direct costs relating to the acquisition	4,786	18,410	-	18,410
	147,224	587,554	(532)	2,507,184
<b>Outflow of cash to acquire subsidiaries and businesses, net of cash acquired</b>				
Consideration	147,224	587,554	(532)	2,507,184
Non-cash consideration - shares issued	-	(543,117)	-	(2,085,747)
Non-cash consideration - subsidiary company financed	-	-	532	(408,869)
Non-cash consideration - deferred consideration accrued	(9,251)	(12,568)	-	(12,568)
Cash acquired	8,905	(3,354)	-	-
<b>Net cash outflow in respect of acquisitions made during the period</b>	<b>146,878</b>	<b>28,515</b>	<b>-</b>	<b>-</b>
Net cash outflow in settling deferred consideration relating to prior year acquisition	12,036	-	-	-
<b>Net cash outflow</b>	<b>158,914</b>	<b>28,515</b>	<b>-</b>	<b>-</b>

The goodwill is attributable to several factors including, site locations, synergies existing in the operations acquired, and the assembled workforce which together contribute to the high profitability of the acquired businesses.

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 29 Subsidiaries (continued)

Sims Group Limited, Sims Group Australia Holdings Limited, Sims Aluminium Pty Limited, Simsmetal Services Pty Limited and Sims Tyrecycle Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering the deed, the wholly-owned entities have been relieved from the requirements to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

## (a) Condensed consolidated income statement and summary of movements in consolidated retained profits

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

Set out below is a condensed consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2007 of the Closed Group.

	2007 \$'000	2006 \$'000
<b>Condensed income statement</b>		
<b>Profit before income tax</b>	<b>202,236</b>	186,923
Income tax expense	(40,778)	(30,473)
<b>Profit for the year</b>	<b>161,458</b>	156,450
<b>Summary of movements in consolidated retained profits</b>		
<b>Retained profits at the beginning of the financial year</b>	<b>71,607</b>	42,157
Profit for the year	161,458	156,450
Actuarial gain on defined benefit fund (net of tax)	1,665	1,310
Dividends provided for or paid	(150,022)	(128,310)
<b>Retained profits at the end of the financial year</b>	<b>84,708</b>	71,607
<b>(b) Condensed balance sheet</b>		
Set out below is a consolidated balance sheet as at 30 June 2007 of the Closed Group.		
<b>Current assets</b>		
Cash and cash equivalents	1,053	778
Receivables	104,656	99,645
Inventories	118,223	100,682
Derivative financial instruments	1,130	585
<b>Total current assets</b>	<b>225,062</b>	201,690
<b>Non-current assets</b>		
Receivables	170	-
Other financial assets	788,470	789,002
Property, plant and equipment	102,284	90,715
Deferred tax assets	5,449	5,334
Retirement benefit surplus	2,518	-
Intangible assets	13,116	8,158
<b>Total non-current assets</b>	<b>912,007</b>	893,209
<b>Total assets</b>	<b>1,137,069</b>	1,094,899
<b>Current liabilities</b>		
Payables	144,108	160,063
Derivative financial instruments	65	200
Current tax liabilities	21,051	15,077
Provisions	10,147	10,340
<b>Total current liabilities</b>	<b>175,371</b>	185,680
<b>Non-current liabilities</b>		
Borrowings	37,147	32,121
Deferred tax liabilities	2,059	1,656
Provisions	9,419	9,413
Retirement benefit obligations	-	1,288
<b>Total non-current liabilities</b>	<b>48,625</b>	44,478
<b>Total liabilities</b>	<b>223,996</b>	230,158
<b>Net assets</b>	<b>913,073</b>	864,741
<b>Equity</b>		
Contributed equity	811,976	780,108
Reserves	16,389	13,026
Retained profits	84,708	71,607
<b>Total equity</b>	<b>913,073</b>	864,741

## Sims Group Limited

Notes to the financial statements  
30 June 2007**30 Investments in associates****(a) Carrying amounts**

Information relating to the associates is set out below.

Name of Associate	Principal Activity	Country of Incorporation	Ownership Interest		Consolidated carrying amount \$'000		Parent entity carrying amount \$'000	
			2007	2006	2007	2006	2007	2006
Richmond Steel Recycling Limited	Metal Recycling	Canada	50.0%	50.0%	14,030	11,730	-	-
LMS Generation Pty Ltd	Landfill Gas Management	Australia	50.0%	50.0%	11,359	9,549	-	-
Australian Refined Alloys Pty Limited	Metal Recycling	Australia	50.0%	50.0%	-	-	-	-
Australian Refined Alloys Sales Pty Limited	Metal Recycling	Australia	50.0%	50.0%	-	-	-	-
Extruded Metals (New Zealand) Limited	Metal Recycling	NZ	33.0%	33.0%	-	-	-	-
Sims Pacific Metals Limited	Metal Recycling	NZ	50.0%	50.0%	557	482	-	-
Consolidated Extrusions Pty Limited	Metal Recycling	Australia	33.3%	33.3%	-	-	-	-
Consolidated Extrusions (Management) Pty Limited	Metal Recycling	Australia	33.3%	33.3%	-	-	-	-
					25,945	21,761	-	-
<b>(b) Movements in carrying amounts</b>								
Carrying amount at the beginning of the financial year					21,761	10,272	-	-
Acquired during the year on conversion of convertible notes					-	8,000	-	-
Share of profits after income tax					4,749	2,874	-	-
Foreign currency translation reserve					(565)	615	-	-
Carrying amount at the end of the financial year					25,945	21,761	-	-
<b>(c) Share of associates' profits or losses</b>								
Profit before income tax					7,030	4,164	-	-
Income tax expense					(2,281)	(1,290)	-	-
Profit after income tax					4,749	2,874	-	-

**(d) Summarised financial information of associates**

	Group's share of:			
	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit after tax \$'000
<b>2007</b>				
Richmond Steel Recycling Limited	16,214	2,070	35,973	2,939
LMS Generation Pty Limited	20,311	12,073	8,140	1,810
Australian Refined Alloys Pty Limited	1,558	1,558	21,504	-
Australian Refined Alloys Sales Pty Limited	-	-	35,607	-
Extruded Metals (New Zealand) Limited	-	-	-	-
Sims Pacific Metals Limited	210	-	-	-
Consolidated Extrusions Pty Limited	-	-	-	-
Consolidated Extrusions (Management) Pty Limited	-	-	-	-
	38,293	15,701	101,224	4,749

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 30 Investments in associates (continued)

## (d) Summarised financial information of associates (continued)

	Group's share of:			
	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit after tax \$'000
<b>2006</b>				
Richmond Steel Recycling Limited	14,434	2,197	29,172	1,717
LMS Generation Pty Limited	15,586	9,422	5,849	1,157
Australian Refined Alloys Pty Limited	1,157	1,157	17,523	-
Australian Refined Alloys Sales Pty Limited	-	-	31,454	-
Extruded Metals (New Zealand) Limited	-	-	-	-
Sims Pacific Metals Limited	176	-	-	-
Consolidated Extrusions Pty Limited	-	-	-	-
Consolidated Extrusions (Management) Pty Limited	-	-	-	-
	<b>31,353</b>	<b>12,776</b>	<b>83,998</b>	<b>2,874</b>

The consolidated entity's share of the associates' contingent liabilities and capital expenditure commitments is included in notes 24 and 25.

## 31 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.
- 50% interest in the Turkish based IKESE Geri Dönüşüm Sanayi ve Ticaret Limited Şirketi joint venture which does not trade at present.
- 33.3% interest in the Consolidated Extrusions unincorporated joint venture, the principal activity was a non-operating entity.

The consolidated entity's interest in assets employed in the joint ventures is included in the balance sheets under the classifications shown below:

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Current assets</b>				
Cash assets	1,765	2,258	-	-
Receivables	14,649	10,821	-	-
Inventories	7,326	4,527	-	-
Deferred tax assets	2,193	1,037	-	-
Non-current assets classified as held for sale - land and buildings	-	5,733	-	-
<b>Non-current assets</b>				
Property, plant and equipment	8,270	7,173	-	-
Goodwill	327	296	-	-
<b>Total assets</b>	<b>34,529</b>	<b>31,845</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Payables	13,833	7,788	-	-
Current tax liabilities	5,971	3,051	-	-
Provisions	1,055	1,493	-	-
<b>Non-current liabilities</b>				
Provisions	227	212	-	-
<b>Total liabilities</b>	<b>21,086</b>	<b>12,544</b>	<b>-</b>	<b>-</b>
<b>Share of net assets employed in joint ventures</b>	<b>13,443</b>	<b>19,301</b>	<b>-</b>	<b>-</b>

The consolidated entity's share of joint venture contingent liabilities and capital expenditure commitments is included in notes 24 and 25.

## Sims Group Limited

Notes to the financial statements  
30 June 2007**32 Related party transactions****(a) Parent entity**

The parent entity of the consolidated group is Sims Group Limited.

**(b) Subsidiaries**

Interests held in subsidiaries are set out in note 29.

**(c) Key management personnel**

Disclosures relating to key management personnel are set out in note 28.

**(d) Transactions with related parties**

The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Tax consolidation legislation				
Current tax payable assumed from wholly-owned tax consolidation entities	-	-	20,679	12,428
Dividend revenue				
Received from subsidiaries	-	-	156,595	46,600
Management fee				
Received from subsidiaries	-	-	1,411	1,017
Operating expenses				
Paid by subsidiaries	-	-	2,369	1,271
Superannuation contributions				
Contributions to superannuation funds on behalf of employees	11,956	18,437	-	-

**(e) Outstanding balances arising from transactions with related entities**

The following balances are outstanding at the reporting date in relation to transaction with related parties:

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current receivables (tax funding agreement)				
Subsidiaries	-	-	20,679	12,428
Current payables (balance of purchase costs of subsidiaries)				
Director related entities	-	12,568	-	12,568

No provision for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 32 Related party transactions - continued

## (f) Loans to/from related parties

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Loans from subsidiaries				
Beginning of the year	-	-	390,963	-
Loans advanced	-	-	-	390,963
Net reduction in loan *	-	-	(28,325)	-
End of year	-	-	362,638	390,963

\* Other than for cash transactions to fund and pay dividends, all other cash receipts and payments of the parent company are conducted through a subsidiary. The net reduction reflects the aggregate impact of these transactions during the year.

Loans to associates				
Beginning of the year	-	8,000	-	-
Convertible notes converted to equity	-	(8,000)	-	-
End of year	-	-	-	-

No provision for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

## (g) Terms and conditions

The terms and conditions of the tax funding agreement are set out in note 7.

Loans from subsidiaries are at call and bear no interest.

All other transactions were made on normal commercial terms and conditions and at market rates.

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 33 Segment reporting

## Geographical segments

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
- Europe - comprising United Kingdom, Sweden, Holland and Germany

## Business segments

The consolidated entity operates predominantly in the secondary metal recycling industry. Its core business involves:

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

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

Secondary processing - comprising value added process involving the melting, refining and ingoting of certain non-ferrous metals and the reclamation and reprocessing of plastics.

Recycling solutions - comprising the provision of environmentally responsible solutions to the disposal of post consumer products. It offers fee for service business opportunities in the environmentally responsible recycling of negative value materials including refrigerators, electrical and electronic equipment, and tyres.

## Primary reporting - geographical segments

	2007				
	Australia \$'000	North America \$'000	New Zealand \$'000	Europe \$'000	Inter-segment eliminations/ unallocated \$'000
					Consolidated \$'000
Sales to external customers (note (a))	1,360,017	2,938,246	105,366	1,144,891	-
Intersegment sales (note (b))	894	-	-	-	(894)
Total sales revenue	1,360,911	2,938,246	105,366	1,144,891	(894)
Share of net profits of associates	1,808	2,941	-	-	-
Other revenue / income	316	512	119	1,430	-
<b>Total segment revenue / income</b>	<b>1,363,035</b>	<b>2,941,699</b>	<b>105,485</b>	<b>1,146,321</b>	<b>(894)</b>
Segment result	148,551	160,289	10,472	60,464	-
Unallocated revenue less unallocated expenses					-
Profit before income tax					379,776
Income tax expense					(125,401)
<b>Profit for the year</b>					<b>254,375</b>
<b>Segment and Total Assets</b>	<b>485,553</b>	<b>1,156,414</b>	<b>29,206</b>	<b>515,243</b>	<b>-</b>
<b>Segment and Total Liabilities</b>	<b>170,188</b>	<b>312,331</b>	<b>7,228</b>	<b>372,017</b>	<b>-</b>
Investment in associates	11,358	14,030	557	-	-
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	30,683	108,345	1,614	88,331	-
Depreciation and amortisation expense	12,827	20,204	1,273	17,262	-
Impairment of property plant and equipment	-	-	-	6,784	-
Impairment of trade receivables	(153)	64	(37)	(25)	-
Other non-cash expenses	5,152	(216)	284	7,169	-



## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 33 Segment reporting (continued)

## Primary reporting - geographical segments (continued)

	2006					
	Australia \$'000	North America \$'000	New Zealand \$'000	Europe \$'000	Inter-segment eliminations/ unallocated \$'000	Consolidated \$'000
Sales to external customers (note (a))	1,145,667	1,735,204	79,033	792,503	-	3,752,407
Intersegment sales (note (b))	1,273	-	-	-	(1,273)	-
Total sales revenue	1,146,940	1,735,204	79,033	792,503	(1,273)	3,752,407
Share of net profits of associates	1,350	1,524	-	-	-	2,874
Other revenue/income	931	1,106	65	-	-	2,102
<b>Total segment revenue</b>	<b>1,149,221</b>	<b>1,737,834</b>	<b>79,098</b>	<b>792,503</b>	<b>(1,273)</b>	<b>3,757,383</b>
Segment result	109,276	114,706	10,796	50,821	-	285,599
Unallocated revenue less unallocated expenses						-
Profit before income tax						285,599
Income tax expense						(88,953)
<b>Profit for the year</b>						<b>196,646</b>
<b>Segment and Total Assets</b>	<b>376,408</b>	<b>1,126,863</b>	<b>26,092</b>	<b>408,476</b>	<b>-</b>	<b>1,937,839</b>
<b>Segment and Total Liabilities</b>	<b>162,920</b>	<b>366,795</b>	<b>12,763</b>	<b>198,576</b>	<b>-</b>	<b>741,054</b>
Investment in associates	9,549	11,730	482	-	-	21,761
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	26,587	240,792	833	13,285	-	281,497
Depreciation and amortisation expense	12,497	14,397	1,336	13,275	-	41,505
Impairment of trade receivables	253	-	37	696	-	986
Other non-cash expenses	10,820	10,476	230	1,823	-	23,349

## Note (a) Sales to external customers

The segment reporting above is based on geographical location of assets and revenues are reported by the segment recording the sale. An analysis of revenues allocated by the geographical location of external customer is set out below.

	2007 \$'000	2006 \$'000
Australia	564,667	459,239
New Zealand	48,947	42,650
North America	773,590	528,746
Europe	1,562,784	816,264
Asia including China, Malaysia, India etc	2,380,699	1,848,080
Middle East	217,833	57,428
	<b>5,548,520</b>	<b>3,752,407</b>

## Note (b) 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.

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 33 Segment reporting (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	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Ferrous metal recycling	3,319,031	2,259,112	1,301,595	1,293,914	61,885	195,965
Non-ferrous metal recycling	1,623,139	1,082,681	433,865	431,304	20,628	65,321
Secondary processing	155,846	159,408	194,210	124,302	961	87
Recycling solutions	450,504	251,206	256,746	88,318	145,499	20,124
	<b>5,548,520</b>	<b>3,752,407</b>	<b>2,186,416</b>	<b>1,937,838</b>	<b>228,973</b>	<b>281,497</b>

## 34 Earnings per share

Basic earnings per share  
Diluted earnings per share

Earnings used in calculating basic and diluted earnings per share

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

Adjustments for calculation of diluted earnings per share:

Options, including ordinary shares issued under the Sims Group Employee Share Scheme deemed to be options for accounting purposes

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share

The weighted average number of converted potential ordinary shares included in the calculation of diluted earnings per share amounted to

Consolidated	
2007	2006
Cents Per Share	
203.6	174.2
202.5	173.7
\$'000	
254,375	196,646
Number of Shares	
124,916,157	112,856,555
704,319	336,281
125,620,476	113,192,836
734,760	192,321

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 35 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 at bank and on hand

Short term deposits

**Cash and cash equivalents**

Details of interest rates and fair values are set out in note 38.

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

Profit for the year

Depreciation and amortisation of property, plant and equipment

Impairment loss on fire destroyed assets

Net loss/(profit) on disposal of non-current assets

Revaluation losses reversed in the profit and loss

Non-cash employee benefits expense

Share of profits of associates not received as dividends

Change in operating assets and liabilities, excluding the effects of acquisitions and disposals of entities:

(Increase) / decrease in trade and other debtors

(Increase) in inventories

Decrease in prepayments

(Decrease) in provisions

Increase/(decrease) in income tax payable

Increase/(decrease) in deferred taxes

Increase/(decrease) in accounts payable and other creditors

**Net cash inflow from operating activities**

Consolidated		Parent entity	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000
31,404	10,637	-	-
7,156	5,163	-	-
<b>38,560</b>	<b>15,800</b>	<b>-</b>	<b>-</b>
254,375	196,646	155,924	46,422
51,566	41,505	-	-
6,784	-	-	-
(401)	705	-	-
-	(1,188)	-	-
2,831	2,524	-	-
(4,749)	(2,874)	-	-
42,275	4,186	(554)	(12,428)
(16,650)	(104,137)	-	-
3,758	8,538	-	-
(16,391)	(10,593)	-	-
3,928	(9,284)	(287)	12,352
(21,027)	5,102	-	-
7,198	77,441	(35,057)	(15,383)
<b>313,497</b>	<b>208,571</b>	<b>120,026</b>	<b>30,963</b>

## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 36 Non-cash investing and financing activities

## Acquisition of subsidiaries

Consolidated		Parent entity	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
-	543,117	(532)	2,494,616

On 31 October 2005 Sims Group Limited acquired substantially all of the recycling operations of Hugo Neu Corporation for \$587.6 million. The consideration given comprised of 32,137,071 ordinary shares in Sims Group Limited with a fair value of \$543.1m and the balance in cash.

The non-cash acquisition amounts in the parent company also include shares exchanged for 100% of the shares in Sims Group Australia Holdings Limited as a consequence of the group restructure as described in note 1(a) and note 29 (\$1,542.6m), an intra-group funding of \$377.0m in respect of its acquisition of Sims Group UK Holdings Limited from Sims Group Australia Holdings Limited and an intra-group funding of \$44.4m of the balance of the acquisition consideration for the former Hugo Neu operations.

## Acquisition of LMS Generation Pty Ltd

-	8,000	-	-
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On 1 January 2006 Sims Group Australia Holdings Limited acquired an additional 25% interest in an associated company, LMS Generation Pty Ltd (formerly Landfill Management Services Pty Ltd), on the conversion to shares of \$8.0m convertible notes held in the associated company.

## Dividend payment

Dividend settled by issue of shares under the dividend reinvestment plan.

29,996	15,017	29,996	15,017
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## 37 Derivative financial instruments

## Current assets

Forward foreign exchange contracts - cash flow hedges  
Commodity - cash flow hedges

1,079	882	-	-
13,719	21	-	-
14,798	903	-	-

## Current liabilities

Forward foreign exchange contracts - cash flow hedges  
Commodity - cash flow hedges

488	69	-	-
4	1,194	-	-
492	1,263	-	-

## (a) Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 *First Time Adoption of Australian Equivalents to International Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. For further information please refer to our annual report for the year ending 30 June 2006.

## (b) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to currency fluctuations in foreign exchange rates and commodity prices in accordance with the Group's financial risk management policies (refer note 2).

## (i) Forward exchange contracts - cash flow hedges

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.

These contracts are hedging highly probable forecasted transactions for the ensuring financial year. The contracts are timed to mature when monies from the forecasted sales of scrap metal are scheduled to be received or when payment for purchases is scheduled to be made.

## Sims Group Limited

Notes to the financial statements  
30 June 2007

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000

**37 Derivative financial instruments (continued)**

The cash flows are expected to occur at various dates up to one year from the balance date. At balance date, the details of the outstanding contracts are:

*(i) Forward exchange contracts - cash flow hedges (continued)*

Buy AUD, Sell USD Up to 12 months - at rates averaging AUD to USD 2007: Nil (2006: 0.7350)	-	47,617	-	-
Buy NZD, Sell USD Up to 12 months - at rates averaging NZD to USD 2007: 0.7033 (2006: 0.6032)	12,313	9,543	-	-
Buy EUR, Sell USD Up to 12 months - at rates averaging EUR to USD 2007: Nil (2006: 1.2797)	-	434	-	-
Buy AUD, Sell NZD Up to 12 months - at rates averaging AUD to NZD 2007: 1.1107 (2006: Nil)	9,004	-	-	-
Buy GBP, Sell USD Up to 12 months - at rates averaging GBP to USD 2007: 1.9954 (2006: 1.8338)	36,632	71,488	-	-
Buy GBP, Sell EUR Up to 12 months - at rates averaging GBP to EUR 2007: 1.4795 (2006: 1.4544)	54,200	33,019	-	-
Buy USD, Sell GBP Up to 12 months - at rates averaging GBP to USD 2007: 1.9878 (2006: 1.8131)	1,813	3,227	-	-
Buy EUR, Sell GBP Up to 12 months - at rates averaging GBP to EUR 2007: 1.4761 (2006: 1.4514)	509	716	-	-
Buy SEK, Sell USD Up to 12 months - at rates averaging USD to SEK 2007: 0.1492 (2006: 0.1376)	150	79	-	-

## Sims Group Limited

Notes to the financial statements  
30 June 2007

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

**37 Derivative financial instruments (continued)****(ii) Forward commodity contracts - cash flow hedges**

The consolidated entity enters into forward commodity contracts to buy and sell specific amounts of various metal commodities in the future at pre-determined rates. The commodity contracts are entered into to hedge contracted purchases and sales of metal and precious metal commitments denominated in foreign currencies.

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

Buy 25 metric tonnes LME Copper Grade A Up to 12 months - at rates averaging US\$Nil per metric tonne (2006:US\$6,700)	-	225	-	-
Sell 150 metric tonnes LME Copper Grade A Up to 12 months - at rates averaging US\$Nil per metric tonne (2006:US\$6,690)	-	1,351	-	-
Sell 1,200 metric tonnes LME Nickel Up to 12 months - at rates averaging US\$45,907 per metric tonne (2006:US\$18,250)	64,803	5,895	-	-
Sell 1,100 metric tonnes LME Primary Aluminium Up to 12 months - at rates averaging US\$2,751 per metric tonne (2006: Nil)	3,560	-	-	-
Sell 1,250 troy oz Gold Up to 12 months - at rates averaging US\$661 per troy oz (2006: Nil)	972	-	-	-
Sell 5,000 troy oz Silver Up to 12 months - at rates averaging US\$13 per troy oz (2006: Nil)	78	-	-	-
Sell 5,000 troy oz Palladium Up to 12 months - at rates averaging US\$361 per troy oz (2006: Nil)	169	-	-	-
Sell 30 troy oz Platinum Up to 12 months - at rates averaging US\$1310 per troy oz (2006: Nil)	46	-	-	-

**(c) Credit risk exposures**

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. It arises from amounts receivable from unrealised gains on derivative financial instruments.

Receivable recognised at balance date from forward foreign currency and commodity contracts	14,798	903	-	-
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## Sims Group Limited

Notes to the financial statements  
30 June 2007

## 38 Interest and credit risk exposures and fair values of financial assets and liabilities

## (a) 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:						
		Weighted average interest rate	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
2007	Note							
<b>Financial assets</b>								
Cash and deposits	35	5.6%	38,560	-	-	-	-	38,560
Receivables - current	8	-	-	-	-	-	365,175	365,175
			38,560	-	-	-	365,175	403,735
<b>Financial liabilities</b>								
Payables - current	15	-	-	-	-	-	379,911	379,911
Bank overdrafts and loans	16	6.7%	341,326	-	-	-	-	341,326
			341,326	-	-	-	379,911	721,237

		Fixed interest maturing in:						
2006	Note	Weighted average interest rate	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
<b>Financial assets</b>								
Cash and deposits	35	4.3%	15,800	-	-	-	-	15,800
Receivables - current	8	-	-	-	-	-	356,019	356,019
			15,800	-	-	-	356,019	371,819
<b>Financial liabilities</b>								
Payables - current	15	-	-	-	-	-	341,752	341,752
Bank overdrafts and loans	16	5.8%	301,459	-	-	-	-	301,459
			301,459	-	-	-	341,752	643,211

## (b) Credit risk

There is no concentration of credit risk with respect to current and non-current receivables, as the Group has a large number of customers, internationally dispersed. Refer note 2 for more information on the risk management of the Group. The maximum credit risk is set out in the table above.

## (c) Fair values

The fair value of financial assets and liabilities of the consolidated entity which have been recognised on the balance sheet, is represented by their carrying amounts.

## 39 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

## (a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Estimated impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(s). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 14 for details of these assumptions and the potential impact of changes to these assumptions.



In the directors' opinion:

- (a) The financial statements and notes set out on pages 41 to 95 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 2007 and of its 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 disclosures/tables set out on pages 24 to 40 of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures 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 29 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 29.

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 31 August 2007



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### Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Sims Group Limited the company, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Sims Group Limited and the Sims Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 24 to 40 of the directors' report and not in the financial report.

#### *Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

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

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

#### *Matters relating to the electronic presentation of the audited financial report*

This audit report relates to the financial report and remuneration disclosures of Sims Group Limited (the company) for the financial year ended 30 June 2007 included on the Sims Group web site. The company's directors are responsible for the integrity of the Sims Group web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report and remuneration disclosures identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or remuneration disclosures. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



*Auditor's opinion on the financial report*

In our opinion:

- (a) the financial report of Sims Group Limited is in accordance with the *Corporation Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

*Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report*

In our opinion, the remuneration disclosures that are contained in pages 24 to 40 of the directors' report comply with Accounting Standard AASB 124.

A stylized, handwritten signature of the PricewaterhouseCoopers firm.

PricewaterhouseCoopers

A handwritten signature of W H B Seaton.

W H B Seaton  
**Partner**

Sydney  
31 August 2007



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As lead auditor for the audit of Sims Group Limited for the year ended 30 June 2007,  
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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'W H B Seaton'.

W H B Seaton  
Partner  
PricewaterhouseCoopers

Sydney  
31 August 2007

## 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
Mitsui Raw Materials Developments Pty Limited	25,208,600
M & G Investment Funds 1	14,169,532
Perpetual Limited	6,959,548
AXA Group	7,706,433

## Distribution of Holdings

Range	Holders
1 - 1,000	9,395
1,001 - 5,000	8,713
5,001 - 10,000	987
10,001 - 100,000	403
100,001 – and over	36
Total	19,534

There were 128 holders of less than a marketable parcel of shares.

## Twenty Largest Shareholders

	No. of Shares	% Held
1 MITSUI RAW MATERIALS DEVELOPMENT PTY LIMITED	25,208,600	19.99
2 J P MORGAN NOMINEES AUSTRALIA LIMITED	15,298,694	12.13
3 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,973,397	11.08
4 NATIONAL NOMINEES LIMITED	5,926,741	4.70
5 HUGO NEU CORPORATION	5,794,894	4.59
6 ANZ NOMINEES LIMITED <CASH INCOME A/C>	3,296,989	2.61
7 CITICORP NOMINEES PTY LIMITED	3,209,663	2.54
8 RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIPOOLED A/C>	2,481,441	1.97
9 UBS NOMINEES PTY LTD	2,402,301	1.90
10 AMP LIFE LIMITED	890,988	0.71
11 COGENT NOMINEES PTY LIMITED	831,755	0.66
12 MILTON CORPORATION LIMITED	546,037	0.43
13 ARGO INVESTMENTS LIMITED	415,757	0.33
14 UCA GROWTH FUND LIMITED	350,000	0.28
15 AUSTRALIAN REWARD INVESTMENT ALLIANCE	330,707	0.26
16 QUEENSLAND INVESTMENT CORPORATION	318,180	0.25
17 UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	302,638	0.24
18 CAMROCK (AUSTRALIA) PTY LIMITED	302,200	0.24
19 WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	280,610	0.22
20 THE AUSTRALIAN NATIONAL UNIVERSITY	270,000	0.21
	<b>82,431,592</b>	<b>65.34</b>

**2007 - 2003**

(A\$'000s)	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Total Operating Revenue	5,550,897	3,754,509	2,565,603	1,879,465	1,609,512
Profit Before Interest and Tax	407,817	301,912	289,613	168,408	114,177
Net Interest Expense	(28,041)	(16,313)	(5,366)	(1,846)	(2,199)
Tax Expense	(125,401)	(88,953)	(87,216)	(54,059)	(36,936)
Operating Profit after Tax	254,375	196,646	197,031	112,503	75,042
Net Cash Flows from Operations	313,497	208,571	192,807	91,247	128,507
Earnings per Share - basic	203.6¢	174.2¢	216.3¢	122.6¢	82.2¢
Dividends per Share	120.0¢	105.0¢	160.0¢	86.0¢	54.0¢
Return on Shareholders' Equity	19.2%	16.4%	38.1%	25.1%	18.9%
Current Ratio (to 1)	1.8	1.8	1.8	1.6	1.8
Net Debt to Funds Employed (to 1)	0.23	0.24	0.10	0.04	(0.22)
Net Tangible Asset Backing per Share	\$5.04	\$4.68	\$4.22	\$3.97	\$3.57

**2002 - 1998**

(A\$'000s)	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Total Operating Revenue	1,422,934	1,358,487	1,090,095	990,626	1,394,273
Profit Before Interest and Tax	76,644	68,012	48,602	4,863	70,690
Net Interest Expense	(5,436)	(10,954)	(7,080)	(5,982)	(5,725)
Tax Expense	(22,649)	(16,193)	(15,367)	(5,276)	(22,490)
Operating Profit after Tax	48,559	40,865	26,155	(6,395)	42,475
Net Cash Flows from Operations	103,211	97,124	16,489	46,875	68,719
Earnings per Share - basic	54.0¢	46.6¢	30.4¢	(7.6¢)	51.9¢
Dividends per Share	36.0¢	32.0¢	25.0¢	20.0¢	36.0¢
Return on Shareholders' Equity	14.3%	13.3%	9.4%	-2.5%	15.3%
Current Ratio (to 1)	1.8	1.8	1.7	1.6	1.8
Net Debt to Funds Employed (to 1)	0.06	0.24	0.34	0.13	0.25
Net Tangible Asset Backing per Share	\$2.83	\$2.45	\$2.11	\$2.48	\$2.60



**Registered Office**

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Tel: (61 2) 9956 9100; Fax: (61 2) 9954 9680

**Securities Exchange Listing**

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

**ADR Facility**

The Company has a sponsored American Depositary Receipt (ADR) facility with the Bank of New York Mellon Corporation. ADRs trade on the over-the-counter market in the USA under cusip number 829160100 with each ADR representing four (4) ordinary shares. Further information and investor enquiries on ADRs should be directed to:

**ADR Depositary**

The Bank of New York Mellon Corporation  
Depositary Receipts Division  
101 Barclay Street - 22W, New York, NY 10286 USA  
Telephone: (1 212) 815 2476; Facsimile: (1 212) 571 3050  
Attn: Joanne Wang

**Shareholder Enquiries**

Enquiries from investors regarding their share holdings should be directed 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) 8235 8150

**Auditors**

PricewaterhouseCoopers  
Darling Park Tower 2  
201 Sussex Street, Sydney NSW 1171

**Principal Bankers**

Commonwealth Bank of Australia  
48 Martin Place, Sydney NSW 2000

**For further investor relations information, please visit [www.sims-group.com](http://www.sims-group.com)**

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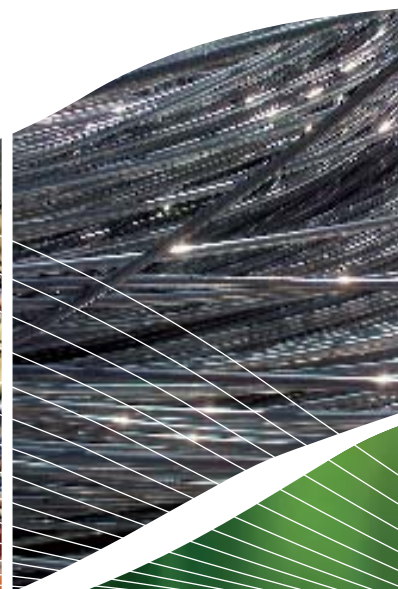
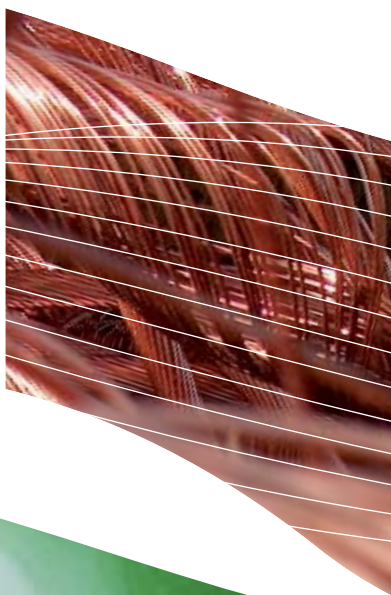
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[www.sims-group.com](http://www.sims-group.com)

