Appendix 4E

Sims Metal Management Limited

ABN 69 114 838 630

Preliminary Final Report

Results for announcement to the market

Current period: Year ended 30 June 2017
Prior corresponding period: Year ended 30 June 2016

Results				**A$m**
Revenue from ordinary activities	Up	9.1%	to	5,089.6
Profit after tax attributable to members	Up	194.0%	to	203.6
Net profit for the period attributable to members	Up	194.0%	to	203.6

Dividends (A¢)	**Cents per Security**	**% Franked per Security**
2017 Interim Dividend (paid 28 March 2017)	20.0	100%
2017 Final Dividend[1]	20.0	100%
2017 Special Dividend[1 2]	10.0	0%
Record date for final and special dividend	6 October 2017	
Payment date for final and special dividend	20 October 2017	

[1]The Board has determined that the dividend reinvestment plan will not operate in relation to the final dividend or special dividend.
[2]The whole of the unfranked amount of the special dividend has been declared to be conduit foreign income. As a result, the dividend paid to a non-resident will not be subject to Australian withholding tax.

Net tangible assets (A$)	**30 June 2017**	**30 June 2016**
Net tangible asset per security	9.13	8.41

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

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

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

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DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Sims Metal Management Limited (the "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2017 ("FY17").

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

Sensitivity to movements in foreign exchange rates

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

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

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

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

	Average rate - year ended 30 June			**Closing rate - as at 30 June**		
	2017	2016	**% Change**	**2017**	2016	**% Change**
US dollar	0.7539	0.7283	3.5	0.7686	0.7426	3.5
Euro	0.6919	0.6561	5.5	0.6729	0.6699	0.4
Pounds sterling	0.5949	0.4914	21.1	0.5901	0.5549	6.3

As at 30 June 2017, the cumulative effect of the retranslation of net assets of foreign controlled entities (recognised through the foreign currency translation reserve) was A$116.8 million compared to A$77.8 million as at 30 June 2016.

Summary

Sales revenue of A$5,079.4 million in FY17 was up 9.2% compared to sales revenue of A$4,651.7 million in the year ended 30 June 2016 ("FY16"). At constant currency, sales revenue was up 16.0% primarily due to higher average scrap metal prices. Sales volumes increased by 1.8% to 8.70 million tonnes in FY17 versus 8.55 million tonnes in FY16. Average selling prices were higher for both ferrous and non-ferrous metals. See further discussion below under *External Operating Environment.*

Statutory net profit after tax ("NPAT") in FY17 was A$203.6 million compared to a loss of A$216.5 million in FY16. Underlying NPAT was A$120.1 million in FY17, which was 216.1% higher than FY16. The increase was primarily attributable to higher metal margins as a result of improved industry conditions throughout most of FY17. In addition, the Group recognised a A$65.6 million tax benefit from the recognition of previously unrecognised net deferred tax assets. See the *Reconciliation of Statutory Results to Underlying Results* included herein for more information.

Statutory earnings before interest and tax ("EBIT") in FY17 was A$201.2 million compared to a loss of A$215.5 million in FY16. Underlying EBIT of A$182.4 million was 214.5% higher than FY16. The increase in underlying EBIT was primarily due to improved market conditions across all segments and higher income from joint ventures. See further discussion below for results by operating segment under *Segment Results*.

Statutory diluted earnings per share was 101.6 cents in FY17 compared to statutory diluted loss per share of 106.8 cents per share in FY16. Underlying diluted earnings per share was 59.9 cents in FY17 compared to underlying diluted earnings per share of 18.6 cents in FY16.

External Operating Environment

FY17 market conditions showed a healthy improvement across both ferrous and non-ferrous markets over the prior year. Increased domestic steel consumption in China drove a rally in prices for steelmaking raw materials. East Coast US export ferrous heavy melting steel ("HMS") prices improved 15%, while certain grades of busheling and bundled ferrous scrap increased an even greater 34% on average over FY16[1].

Higher demand for steel in China, along with a coordinated plan to close inefficient steel mill capacity, led to a reduction in steel export volumes. Steel exports from China have continued to decline over the course of FY17, falling 21% compared to the prior year period[2]. Declining export of steel from China, particularly related to semi-finished steel production, supported increased demand for ferrous scrap across electric arc furnace ("EAF")-based steelmakers outside China.

Global demand for non-ferrous secondary metals also increased during FY17. Prices for copper and aluminium lifted 10% and 15% respectively compared to FY16[3].

Higher prices for ferrous and non-ferrous metals helped improve the economic incentive for secondary metal collection across all operating regions. While metals recycling activity is still near historic lows, the growing size of the secondary metals reservoir, due to recent low collection levels, remains a substantial opportunity.

North American intake and demand is slowly improving

Higher metal prices and improved demand both domestically and in export markets helped increase secondary metal volumes in North America in FY17. Total US exports of ferrous scrap metal increased 16% in FY17 over the prior year[4]. Similarly, US exports of copper and aluminium scrap metals also rose during FY17, lifting 8% and 3% over the prior year[5]. Overall, generation and collection of secondary metal in North America has begun to show initial signs of improvement, following a long period of stagnation and decline. On a trailing 12-month basis, at the end of April 2017 total US ferrous scrap collection volumes were 50 million tonnes[6]. While this is up slightly from recent lows, this remains down 28% since early 2012.

Australian construction spending supporting domestic steel demand and production

Continued high levels of spending related to steel intensive multi-residential construction and public infrastructure projects continues to support domestic demand and production for steel in Australia. Correspondingly, this has stimulated increased demand for ferrous scrap from domestic steel mills. In addition to supportive domestic demand

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[1] Source: American Metal Market ("AMM")
[2] Source: Bloomberg
[3] Source: London Metals Exchange ("LME")
[4] Source: US Census Bureau
[5] Source: US Commerce Department
[6] Source: US Geological Survey

for secondary metals, export demand started to improve during the second half of FY17. Based on Australian customs statistics, the export of ferrous secondary metals increased approximately 15% in the second half of FY17 over the second half of FY16. This early positive data follows a period of declining exports from mid-2015.

Despite recent improved demand for secondary metal, broader Australian economic growth has slowed. March quarter GDP growth reduced to 0.3%, while annual GDP growth slowed to 1.7%. However, strong housing prices complicated the task of managing economic growth for the Reserve Bank of Australia. As a result, further interest rate cuts now appear unlikely, potentially constraining the pace of economic expansion in the near-term.

United Kingdom ("UK") metal recycling fundamentals firm, despite slowing growth in broader economy
The pace of economic growth in the UK economy has slowed during 2017, with annual GDP growth dropping to 1.7% in the June quarter of 2017. Recent UK Purchasing Managers' Index data suggests weakening business confidence in the outlook, which has been further clouded by uncertainty following the June election results and forthcoming Brexit negotiations.

This uncertainty has kept the British pound sterling relatively low. Compared to the US dollar, the pound sterling dropped 14% in FY17 over the prior year. This lower currency has been beneficial for secondary metal exports, with the weaker British pound sterling improving the competitiveness of UK-origin material in international markets. A boost from export markets has helped offset a decline in demand from domestic UK steel mills, where crude steel production fell 30% in FY17 due to several large mill closures [7].

Electronics recycling benefiting from copper prices and outlook for end-of-life IT services
Copper and precious metals, including gold, comprise the two primary commodities recovered from the electronics recycling process. During FY17, prices for these commodities both improved, with copper rising 10%, and gold increasing 8%, on average, over the prior year[8]. The impact of higher prices, in combination with internal cost reduction efforts, supported the growth in profitability over the prior year.

Beyond commodity price movements, competitive and regulatory issues continue to be the primary driver for local market dynamics. In this regard, governmental sponsors and the regulatory environment for electronics recycling in the European Union, where the Company maintains the majority of its e-waste related operations, remain supportive advocates for the industry.

Segment Results

North America Metals ("NAM")

	Year ended 30 June		
A$m	**2017**	2016	**Variance %**
Sales revenue	2,417.5	2,352.6	2.8
Underlying EBITDA	135.3	75.7	78.7
Underlying EBIT	72.4	2.3	NMF
Sales tonnes (millions)	5.454	5.772	(5.5)
Underlying EBIT margin	3.0%	0.1%	

Sales revenue for NAM in FY17 was 2.8% higher compared to FY16. At constant currency, sales revenue was 6.4% higher compared to FY16. The increase was primarily due to higher average selling prices of both ferrous and non-ferrous products partially offset by lower sales volumes, which declined by 5.5%. Volumes were lower at NAM due to the impact from businesses sold or closed during FY17 as well as lower ferrous brokerage volumes.

Underlying EBIT was A$72.4 million in FY17 compared to A$2.3 million in FY16. At constant currency, underlying EBIT was A$74.8 million. The impact of higher average sales prices, partially offset by lower volume, led to a 6.5% increase in metal margin (on a constant currency basis). Income from joint ventures contributed A$29.6 million (on a constant currency basis) compared to A$0.4 million in FY16.

[7] Source: World Steel Association
[8] Source: LME

Australia & New Zealand ("ANZ") Metals

A$m	Year ended 30 June 2017	2016	Variance %
Sales revenue	981.4	743.6	32.0
Underlying EBITDA	91.3	66.6	37.1
Underlying EBIT	62.7	39.7	57.9
Sales tonnes (millions)	1.656	1.418	16.8
Underlying EBIT margin	6.4%	5.3%	

Sales revenue for ANZ Metals in FY17 was 32.0% higher compared to FY16. The increase was primarily due to higher average selling prices and sales volumes, the latter of which increased by 16.8%.

Underlying EBIT of A$62.7 million in FY17 was 57.9% higher compared to FY16. The impact of higher sales volumes and higher average selling prices led to a 20.0% increase in metal margin which was partially offset by an 11.2% increase in controllable costs.

Europe Metals

A$m	Year ended 30 June 2017	2016	Variance %
Sales revenue	924.3	759.1	21.8
Underlying EBITDA	47.4	32.4	46.3
Underlying EBIT	35.4	18.6	90.3
Sales tonnes (millions)	1.590	1.361	16.8
Underlying EBIT margin	3.8%	2.5%	

Sales revenue for Europe Metals in FY17 was 21.8% higher compared to FY16. At constant currency, sales revenue was 47.4% higher compared to FY16 primarily due to higher sales volumes, which increased by 16.8%, and higher average selling prices.

Underlying EBIT of A$35.4 million in FY17 was 90.3% higher compared to FY16. At constant currency, underlying EBIT was A$42.9 million. The impact of higher sales volumes and higher average selling prices led to a 36.0% increase in metal margin (on a constant currency basis) which was partially offset by a 23.9% increase in controllable costs (on a constant currency basis).

Global E-Recycling

A$m	Year ended 30 June 2017	2016	Variance %
Sales revenue	726.9	792.7	(8.3)
Underlying EBITDA	28.2	19.2	46.9
Underlying EBIT	20.0	7.6	163.2
Underlying EBIT margin	2.8%	1.0%	

Sales revenue for Global E-Recycling in FY17 was 8.3% lower compared to FY16. At constant currency, sales revenue was down 3.0% compared to FY16. Disposed operations included in the US E-Recycling resetting plan contributed to the lower sales revenue. This was partially offset by higher global copper and precious metals pricing.

Underlying EBIT of A$20.0 million in FY17 was 163.2% higher than FY16. At constant currency, underlying EBIT was A$20.5 million. The higher profitability of Global E-Recycling in FY17 was primarily due to a 1.7% increase in metal margin (at constant currency) and 1.9% decrease in controllable costs (at constant currency). The majority of Global E-Recycling's FY17 underlying EBIT was attributed to Continental Europe. On a constant currency basis, underlying EBIT for Continental Europe was 102.8% higher in FY17 than FY16.

Reconciliation of Statutory Results to Underlying Results

A$m	EBITDA[1]		EBIT		NPAT	
Year ended 30 June	**2017**	2016	**2017**	2016	**2017**	2016
Reported earnings	**313.5**	83.0	**201.2**	(215.5)	**203.6**	(216.5)
Significant items:						
Impairment of investment in joint venture	**N/A[2]**	N/A[2]	**-**	119.1	**-**	119.1
Goodwill and intangible asset impairment	**N/A[2]**	N/A[2]	**-**	53.0	**-**	42.8
Fixed asset (reversal)/impairment	**(1.0)**	31.8	**(1.0)**	31.8	**(0.3)**	29.5
Gain on sale of property	**(24.3)**	-	**(24.3)**	-	**(24.3)**	-
Net (reversals)/expenses related to lease settlements/onerous leases	**(2.8)**	44.5	**(2.8)**	44.5	**(2.8)**	41.7
Yard closure costs and dilapidations provisions	**1.1**	13.9	**1.1**	13.9	**1.5**	11.4
Redundancies	**7.2**	9.8	**7.2**	9.8	**7.0**	8.6
Other	**1.0**	1.4	**1.0**	1.4	**1.0**	1.4
Recognition of net deferred tax asset[3]	**-**	-	**-**	-	**(65.6)**	-
Underlying results[4]	**294.7**	184.4	**182.4**	58.0	**120.1**	38.0

[1] EBITDA is a measurement of non-conforming financial information. See table below that reconciles EBITDA to statutory net profit.
[2] N/A indicates that statutory EBITDA is calculated to exclude impairment of investment in joint venture and impairment of goodwill and intangible assets in the presentation of both the statutory and underlying results.
[3] 2017 amount reflects the recognition of previously unrecognised deferred tax assets.
[4] Underlying result is a non-IFRS measure that is presented to provide an understanding of the underlying performance of the Group. The measure excludes the impacts of impairments, disposals as well as items that are subject to significant variability from one period to the next. The reconciling items above (before tax) have been extracted from the audited financial statements.

Reconciliation of Statutory NPAT to EBITDA

	Year ended 30 June	
A$m	**2017**	2016
Statutory net profit/(loss) after tax	**203.6**	(216.5)
Goodwill and intangible impairment charges	**-**	53.0
Impairment of investment in joint venture	**-**	119.1
Depreciation and amortisation	**112.3**	126.4
Net interest expense	**10.2**	9.7
Income tax benefit	**(12.6)**	(8.7)
Statutory EBITDA	**313.5**	83.0

Cash flow and borrowings

Cash flow from operating activities of A$266.4 million in FY17 increased by A$135.1 million versus FY16 due to higher earnings generated in FY17. In addition, the Group received A$18.7 million of dividends from joint ventures compared to A$7.0 million in FY16.

Cash used for capital expenditures was A$126.5 million during FY17 compared to A$108.9 million in FY16. Capital expenditures during FY17 were related primarily to investments in NAM, including initial spend on metals recovery plants ("MRPs") in Jersey City, New Jersey and Chicago, Illinois, and residual spend on the Kwinana MRP installation in Western Australia. The Group generated A$63.2 million of cash from the sale of property, plant and equipment, assets previously classified as held for sale and sale of businesses in FY17 compared to A$12.5 million in FY16.

During FY17, the Group paid cash dividends of A$63.2 million compared to A$46.8 million in FY16. During FY17, the Group made payments of A$13.4 million in relation to its share buyback program compared to A$60.3 million in FY16.

At 30 June 2017, the Group had a net cash position of A$373.0 million versus a net cash position of A$242.1 million at 30 June 2016. The Group calculates net cash as cash balances less total borrowings and reflects total borrowings as if borrowings were reduced by cash balances as a pro forma measurement as follows:

A$m	**As at 30 June**	
	2017	2016
Total cash	**378.5**	248.3
Less: total borrowings	**(5.5)**	(6.2)
Net cash	**373.0**	242.1

Strategic Developments

Delivery on internal initiatives and divestment of non-core assets completed
The final sale or closure of all remaining underperforming non-core assets was completed in early FY17. This included the sale of UK-based aerospace metals recycler FE Mottram, the sale of assets in the Central Region of North America, as well as the closure of the Group's three stainless steel recycling facilities in North America. In total, the 46 facilities divested through the resetting actions accounted for A$32 million in operating losses in FY16, which will not be repeated going forward.

Strong balance sheet to support internal capital initiatives
The Company's business improvement initiatives have led to continued growth in net cash during FY17. The Company's capital allocation strategy balances immediate returns to shareholders with the need for business reinvestment to support the Company's strategy.

In addition to sustaining business projects and funding working capital, there are a range of internal growth initiatives either underway or in the planning stages. The Company will also consider external growth opportunities that fit into the Company's strategy, complement its core competencies and enhance returns. In the year ending 30 June 2018 ("FY18"), the Company has allocated A$180 million to A$200 million in capital for sustaining and growth projects.

Commitment to FY18 return on capital target of 10% [9]
The Company remains committed to the goal that, even at the bottom of the cycle, all operations must generate greater than cost of capital returns. Due to the progress achieved through its streamline and optimise initiatives, the Company's underlying return on capital improved to 8.0% in FY17, the highest since the start of the five-year strategic plan. The internal initiatives of the past four years have now been embedded into the business, and the additional initiatives over the next year are expected to drive progressively stronger returns.

Based on current market conditions and benefits anticipated from internal initiatives, the Company's target underlying return on capital of 10% in FY18 remains unchanged.

Market Conditions and Outlook

External market conditions have shown steady signs of improvement. Steel exports from China have continued to decline since the start of 2016. Lower export volumes have eased competitive pressures on steelmakers outside China which, in turn, is supporting higher global demand for ferrous scrap metal.

Stronger demand in both domestic and export markets, as well as rising prices for steel and steel-making raw materials, has contributed to a circa 15% lift in ferrous scrap prices since the start of FY18[10].

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[9] Return on Capital = (Underling EBIT – Tax at effective tax rate of 30%) / (Net Assets + Net Debt)
[10] Source: AMM

NAMES AND PARTICULARS OF DIRECTORS

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

Geoffrey N Brunsdon B Comm (age 59)
Chairman and Independent non-executive director

Mr Brunsdon was appointed as a director in November 2009, appointed Deputy Chairperson in September 2011 and appointed Chairperson of the Company on 1 March 2012. He is Chairperson of the Nomination/Governance Committee, and is a member of the Risk, Audit & Compliance Committee and the Remuneration Committee. Until June 2009, Mr Brunsdon was Managing Director and Head of Investment Banking of Merrill Lynch International (Australia) Limited. He is Chairman of IPE Limited (since 2004), APN Funds Management Limited (since November 2009), and MetLife Insurance Limited (since April 2011). He was a member of the listing committee of the Australian Securities Exchange between 1993 and 1997 and was a director of Sims Group Limited between 1999 and 2007. He is a Fellow of the Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australia and a Fellow of the Institute of Company Directors. Mr Brunsdon is also a director of the Wentworth Group of Concerned Scientists and Purves Environmental Custodians.

Robert J Bass MBA (age 68)
Independent non-executive director

Mr Bass was appointed as a director on 10 September 2013. He is Chairperson of the Risk, Audit & Compliance Committee, and is a member of the Nomination/Governance Committee and the Finance & Investment Committee. Mr Bass was formerly a partner at Deloitte & Touche from 1982, and Vice Chairman at Deloitte LLP from 2006, until his retirement in June 2012. He practiced at that firm for 39 years and was Lead Client Service Partner responsible for the development, planning, management, administration and delivery of services, including audits of consolidated financial statements to multinational clients in a variety of industries. Mr Bass is currently a director of Groupon Inc (since June 2012), Apex Tool Group (since December 2014) and Redfin (since October 2016) and is Chairman of the Audit Committee of these three companies and a member of the Compensation Committee of Groupon and member of Nomination/Governance Committee of Redfin. He is a graduate of Emory University and received an MBA from Columbia University. He is a Certified Public Accountant, New York and Connecticut, and a member of the American Institute of Certified Public Accountants and Connecticut State Society of Certified Public Accountants.

John T DiLacqua MBA (age 65)
Independent non-executive director

Mr DiLacqua was appointed as a director in September 2011. He is Chairperson of the Finance & Investment Committee, and is a member of the Risk, Audit & Compliance Committee and the Nomination/Governance Committee. Mr DiLacqua was formerly a director of Metal Management, Inc (since 2001), and was a director of Sims Metal Management Limited between March and November 2008. He was the Executive Chairman of Envirosource, Inc from May 2004 to December 2004 and had served as President and Chief Executive Officer of Envirosource from January 1999 to May 2004. From October 1997 to December 1998, Mr DiLacqua served as President of the US Ferrous Operations of Philip Metals, Inc, and, prior to that, from May 1994, as the President of Luria Brothers. He is a graduate of Temple University and received a MBA from Carnegie Mellon University. Mr DiLacqua is a Certified Public Accountant.

Alistair Field (NHD) Mech Eng, MBA (age 53)
Group Chief Executive Officer and Managing Director

Mr Field was appointed Group Chief Executive Officer and Managing Director of the Company on 3 August 2017. He is a member of the Safety, Health, Environment, Community & Sustainability Committee, the Nomination/Governance Committee and the Finance & Investment Committee. Mr Field joined the Company on 1 October 2015 as the Managing Director of ANZ Metals. He has more than 25 years of experience in the mining and manufacturing industries. He has held a number of senior leadership positions, including most recently as Director of Patrick Terminals & Logistics Division for Asciano Limited, and previously as Chief Operating Officer for Rio Tinto Alcan's Bauxite and Alumina Division. Mr Field is a Mechanical Engineer with a MBA from the Henley Management School, Brunel University.

Georgia Nelson BS, MBA (age 67)
Independent non-executive director

Ms Nelson was appointed as a director in November 2014. She is a member of the Safety, Health, Environment, Community & Sustainability Committee and the Remuneration Committee. Ms Nelson provides consulting services through her company PTI Resources, LLC, on a variety of environmental and energy policy matters. Ms Nelson is the former founding president of Midwest Generation EME, LLC, an Edison International company with its corporate headquarters in Chicago. Previously, Ms Nelson was senior vice president of worldwide operations for Edison Mission Energy. Ms Nelson previously spent more than 25 years with Southern California Edison, a large US electric utility. Ms Nelson serves as a director of two publicly traded US corporations: Cummins Inc (CMI), a global engine and equipment manufacturer, and Ball Corporation (BLL), a global metals container manufacturing company, and one publicly traded Canadian corporation: TransAlta Corporation (TAC), a power generation and wholesale marketing company. Ms Nelson holds a MBA from the University of Southern California and a BS from Pepperdine University.

Deborah O’Toole LLB, MAICD (age 60)
Independent non-executive director

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

Heather Ridout AO BEc (Hons) (age 63)
Independent non-executive director

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

Tamotsu (Tom) Sato BA (age 65)
Non-independent non-executive director

Mr Sato was appointed as a director in April 2013. He is Mitsui & Co., Ltd's nominated director. Mr Sato is a member of the Finance & Investment Committee and the Safety, Health, Environment, Community & Sustainability Committee. He joined Mitsui in 1975 and held various positions mainly in the steel making raw materials business within that company including General Manager of Calgary office, Mitsui Canada, Executive Director of Mitsui Coal Holdings (2002-2004) based in Brisbane, General Manager of Tokyo Coal Division (2004-2006), Senior Vice President of Mitsui Singapore (2006-2009) responsible for Asia Pacific, and from 2009 until his retirement in 2013 he was the President & CEO of Mitsui Raw Materials Development based in New York.

James T Thompson BS (age 67)
Independent non-executive director

Mr Thompson was appointed as a director in November 2009. He is Chairperson of the Safety, Health, Environment, Community & Sustainability Committee, and is a member of the Finance & Investment Committee and the Remuneration Committee. Mr Thompson was, from 2004 until his retirement in 2007, Executive Vice President Commercial for The Mosaic Company, one of the world's largest fertiliser companies, with sales of US$7 billion and some 8,000 employees, which is publicly traded on the New York Stock Exchange. Prior to that, he was engaged for 30 years in the steel industry from 1974–2004 in various roles at Cargill, Inc of Minnesota, United States, leading to the position of President of Cargill Steel Group from 1996–2004. During that period, Mr Thompson also served for a time as Co-Chairman of the North Star BlueScope Steel joint venture, and was a member of various industry boards, including AISI (American Iron and Steel Institute), SMA (Steel Manufacturers Institute) and MSCI (Metals Service Center Institute). He is currently a director of Hawkins, Inc, and serves as Chairman of the Board of Visitors of the University of Wisconsin School of Education. Mr Thompson has a BS from the University of Wisconsin Madison.

Mr Renwick retired from the Board of Directors on 9 November 2016 having served as an independent non-executive director since June 2007.

Mr Claro resigned from the Board of Directors on 3 August 2017 having served as Group Chief Executive Officer and Managing Director since November 2013.

COMPANY SECRETARIES

Frank Moratti B Comm, 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.

Scott Miller BS, MS, JD, PE

Mr Miller was appointed to the position of Company Secretary in 2008. Since joining the Company in 1997, Mr Miller has held positions as legal counsel and manager for environmental affairs for North American operations. Before joining the Company, he held positions at an environmental mediation firm, as an attorney with a major legal practice and as a consulting engineer.

DIRECTORS' MEETINGS

The following table shows the actual board and committee meetings held during the financial year and the number of meetings attended by each Director:

	Board of Directors	Risk, Audit & Compliance Committee	Safety, Health, Environment, Community & Sustainability Committee	Remuneration Committee	Finance & Investment Committee	Nomination/ Governance Committee
Meetings held	9	5	4	7	5	4
G Brunsdon	9	5		7		4
R Bass	9	5			5	4
G Claro*	9		4		5	4
J DiLacqua	9	5			5	4
G Nelson	9		4	7		
D O'Toole	9	5		7	5	
C Renwick**	3		2	4		2
H Ridout	9	5	4	7		4
T Sato	9		4		5	
J Thompson	9		4	7	5	

***** Mr Claro resigned on 3 August 2017 and was succeeded by Mr Field
****** Mr Renwick retired on 9 November 2016

DIRECTORS' INTERESTS

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

	Shares
G Brunsdon	22,057
R Bass	18,000
J DiLacqua	2,500
A Field	-
G Nelson	6,700
D O'Toole	8,000
H Ridout	5,000
T Sato	-
J Thompson	22,000

***** refer to the Remuneration Report for information on options and rights held by Mr Field

DIVIDENDS

Since the end of the fiscal year, the Directors have declared dividends totalling 30 cents per share for the year ended 30 June 2017, consisting of a final dividend of 20 cents per share (100% franked) and a special dividend of 10 cents per share (unfranked). The dividends will be payable on 20 October 2017 to shareholders on the Company's register at the record date of 6 October 2017. The Directors have determined that the dividend reinvestment plan will not operate in relation to these dividends.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the Group during the financial year not otherwise disclosed elsewhere in this report.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 3 August 2017, the Company announced the departures of Managing Director and Group Chief Executive Officer Galdino Claro and Group Chief Financial Officer Fred Knechtel. The Company appointed Alistair Field as Managing Director and Group Chief Executive Officer and Amit Patel as acting Group Chief Financial Officer. Please refer to Note 32 in the consolidated financial statements.

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

LIKELY DEVELOPMENTS

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

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

ENVIRONMENTAL REGULATION

The Group is subject to environmental regulations and reporting requirements in Australia as well as other countries in which it operates. The Group has operating licenses and consents in place at each of its operating sites as prescribed by relevant environmental laws and regulations in each respective location and comprehensive environmental management systems and audit procedures to support compliance. Further information on the consolidated entity's performance in respect of environmental regulation is set out in the Group's Annual Sustainability Report.

Under s299(1)(f) of the Corporations Act, an entity is required to provide a summary of its environmental performance in terms of compliance with Australian environmental regulation. The Group's Australian operations are subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007* ("NGER").

The NGER Act requires the Group to report its annual greenhouse emissions and energy use of its Australian operations. The Group has implemented systems and processes for the collection and calculation of the data required so as to prepare and submit the relevant report to the Greenhouse and Energy Data Officer annually.

There have been no significant known breaches of the Group's license conditions or any environmental regulations to which it is subject.

INSURANCE AND INDEMNIFICATION OF OFFICERS

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

SHARE OPTION AND RIGHTS

Unissued shares

As of the date of this report, there are 10,339,992 share options outstanding and 7,669,051 rights outstanding in relation to the Company's ordinary shares. Refer to Note 26 of the consolidated financial statements for further details of the options and rights outstanding as at 30 June 2017. Option and right holders do not have any right, by virtue of the option or right, to participate in any share issue of the Company.

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

During the financial year, there were 945,071 ordinary shares issued upon the exercise of share options and 946,893 ordinary shares issued in connection with the vesting of rights. Refer to Note 26 of the consolidated financial statements for further details of shares issued pursuant to share-based awards. Subsequent to the end of the financial year and up to the date of this report, there have been 680,513 ordinary shares issued upon the exercise of share options and 4,194 ordinary shares issued in connection with the vesting of rights.

NON-AUDIT SERVICES

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

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

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

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 38 and forms part of the Directors' Report for the year ended 30 June 2017.

ROUNDING OF AMOUNTS

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

FY17 Remuneration Report

Introduction from the Chair of the Remuneration Committee

Dear fellow Shareholders,

As your new Remuneration Committee Chair, I am pleased to introduce the Remuneration Report for Sims Metal Management Limited (Sims or Company) for the period from 1 July 2016 to 30 June 2017 (FY17). During FY17, the penultimate year of the five-year business transformation strategy, Sims delivered a significant financial turnaround which strengthened its position in its markets and paved the way for a transition period towards future growth.

We have taken on board the significant concerns raised regarding particular components of our remuneration structure following the first strike at our AGM in 2016. Consequently, the Committee launched a comprehensive review and consultations with stakeholders around Sims' executive remuneration framework and structure.

I would like to thank you for your feedback and active engagement with us in the past year while we conducted this review. I would also like to reconfirm our commitment to developing a remuneration framework that aligns the Company's performance culture to our overarching objective of delivering sustainable value to our shareholders. We are committed to a process of continuous improvement in consultation with our stakeholders as well as with our new Group CEO and Managing Director, Alistair Field, and his team.

As part of the review, the Board implemented a number of immediate actions and changes, such as:

- The appointment of a new Australian-based remuneration adviser with in-depth understanding of our sector and Australian market dynamics, and extensive cross-border experience particularly around challenges faced by ASX-listed companies with a wide global reach and diverse operations and jurisdictions;
- Consulting with many of our shareholders to understand their concerns and incorporate their views in the development of a future remuneration approach that sees better alignment between Sims' executives and shareholder interests;
- Changing our executive remuneration peer group to include 50% Australian companies (previously 25%) and 50% US-based companies (previously 75%) of comparable size, market conditions, and talent management challenges resulting from having widespread business operations in different jurisdictions around the world. We believe this new comparator group enables us to better reflect Australian market practice and is consistent with shareholder expectations; and,
- The assessment of general market practice and emerging trends in remuneration design and approach, overlaid by our business strategy, in order to determine the most appropriate framework for Sims.

Throughout this process the Board has listened to feedback as well as considered the issues specific to the Company's position, including the necessity for clear alignment between business objectives and maintaining momentum in the Company's transformation.

Key Outcomes of the Review

In addressing FY18 remuneration design, the Board has made a number of significant changes to the executive remuneration framework. These are detailed in the attached report and include the introduction of an earnings gateway to the Return on Invested Capital (ROIC) tranche of the long-term incentive (LTI) plan, the reduction of the ROIC opportunity from 200% to 100%, and a new executive remuneration benchmark comparator group.

FY17 Remuneration Overview

STI payment

In relation to FY17 remuneration outcomes, the Board exercised its discretion during the year to increase the short-term incentive (STI) performance hurdles for the Executives. Left unchanged, the Company's improved business performance would have seen Executive remuneration significantly higher and, in the circumstances, excessive. In reaching this decision, the Board considered improved market conditions as well as the key contributors to the Company's results.

The Board also took into account shareholder feedback and particular concerns on the restricted share units (RSUs) grants made in FY17. The RSUs were granted primarily for retention purposes during a seminal year when management faced numerous challenges, yet no STIs were payable. The Board acknowledges shareholders' concerns and recognises that the Australian market does not generally support RSUs, despite their common use in the US market. The Board has no current intention to make similar grants of RSUs in the foreseeable future.

LTI payment

The Company's Total Shareholder Return (TSR) over the period of three years was 46%, placing the Company in the top quartile within its LTI plan peer group, and payments to the Executives were based on this hurdle being met. There was no payment in respect of the EPS hurdled performance rights.

ROIC performance rights were introduced under the LTI plan in FY16 to align with the Company's strategic plan. The performance rights reflected the Company's challenging transformation strategy, and incentivised management during a period of constrained profitability leading up to FY17.

The Board is of the view that LTI for FY17 was aligned with delivering the key ROIC target for FY18.

I trust this Remuneration Report provides to you, our shareholders, clear insights into our active approach to acknowledge your previous concerns and to implement the appropriate changes in line with performance imperatives. Our ongoing commitment is to continue to align executive remuneration with business objectives, and to deliver sustainable value to our shareholders.

Yours Sincerely,

Deborah O'Toole
Remuneration Committee Chairperson
RemCoChair@simsmm.com

Contents

Section 1: Who is covered by this report?

The Remuneration Committee of the Board of Directors of Sims Metal Management Limited (Committee) presents the Remuneration Report (Report) for the Company and the Group for FY17. This Report forms part of the Directors' Report and has been audited by our independent auditor, Deloitte Touche Tohmatsu, in accordance with section 300A of the Corporations Act 2001. The Report sets out remuneration information for the Company's Key Management Personnel (KMP).

The table below outlines the KMP for FY17, and includes current and former Executives and Non-Executive Directors (NEDs). "Executives" in this report refers to executive KMP.

Name	Position	Country	Departure date *(where applicable)*
Executives			
Galdino Claro[1]	Group Chief Executive Officer and Managing Director	USA	3 August 2017
Fred Knechtel[1]	Group Chief Financial Officer	USA	3 August 2017
Alistair Field	Managing Director – Australia and New Zealand Metals	Australia	-
William Schmiedel	President – Global Trade	USA	-
Stephen Skurnac	President – Global Sims Recycling Solutions (SRS)	USA	-
NEDs			
Geoffrey N Brunsdon	Chairperson and Independent NED	Australia	-
Robert J Bass	Independent NED	USA	-
John T DiLacqua	Independent NED	USA	-
Georgia Nelson	Independent NED	USA	-
Deborah O'Toole	Independent NED	Australia	-
Christopher J Renwick	Independent NED	Australia	9 November 2016
Heather Ridout	Independent NED	Australia	-
Tamotsu (Tom) Sato	Non-Independent NED	Japan	-
James T Thompson	Independent NED	USA	-

[1] Throughout this Report, unless otherwise stated, Group CEO and Group CFO are used with reference to Galdino Claro and Fred Knechtel respectively.

Changes to KMP since the end of the reporting period

Effective 3 August 2017, the NEDs approved the appointment of Alistair Field as Group Chief Executive Officer and Managing Director, based in the USA. Previously, effective 1 July 2017, Mr Field was promoted to Group Chief Operating Officer, based in the USA. John Glyde will succeed Mr Field in the role of Managing Director - Australia & New Zealand Metals.

Effective 3 August 2017, the NEDs approved the appointment of Amit Patel as acting Group CFO. Mr Patel has served as the Group's Chief Accounting Officer since 2008.

Effective 1 July 2017, Mr Skurnac's responsibilities were expanded.

There have been no other changes to KMP since the end of the reporting period and the signing of this report.

Section 2: Executive summary

This section provides a summary of the Company's FY17 performance and remuneration outcomes for Executives.

Consideration	Summary
Shareholder feedback	Following the Company's "first strike" at its 2016 AGM, we have taken on board the significant concerns raised around particular components of the executive remuneration framework. Both the Chairman and Remuneration Committee Chair have actively engaged with shareholders and their advisors, focusing on the key issues raised: • The grant of RSUs to Executives, particularly the Group CEO; • Group CEO total remuneration opportunity; and • Sims' executive remuneration benchmarking peer group. We also heard that certain aspects of the executive remuneration framework are strongly supported; for instance, the LTI aligned with our focus on achieving our cost of capital through the use of an ROIC performance hurdle. Over the course of the financial year, that feedback has helped inform our comprehensive review and redesign of our executive remuneration framework for FY18 (as summarised below, and detailed in Section 3).
Company performance	FY17 was a strong year for Sims, with an improvement in all key financial metrics (as outlined in Section 4.1) when compared to FY16. The operational and financial improvement has strengthened the Company's position in its markets and paved the way for a transition period towards future growth. Following a difficult period of transformation, the Company's strong performance in FY17 was reflected through: • Achieving Group ROCCE result of 12.88%, in excess of target and a significant increase from FY16's (9.76)%; • Profit before interest and tax of $201.2 million[1], versus FY16's loss of $215.5 million; and • Achieving 46% Total Shareholder Return (TSR) over three years to the end of FY17, performing in the top quartile within the Company's LTI peer group.
Short-term incentive	The Board exercised its discretion during FY17 to increase STI performance hurdles for the Executives. Left unchanged, the Company's improved business performance would have seen Executive remuneration significantly higher and, in the circumstances, excessive. In reaching this decision, the Board considered improved market conditions as well as the key contributors to the Company's results. As a result, and taking into account individual performance (20% of the STI opportunity), the Group CEO's STI was 139% of target, and other Executives between 133% and 139% of target. The resultant Executive STI outcomes also reflect shareholder feedback on the RSUs approved (in respect of the Group CEO) at the 2016 AGM, and granted to Executives in FY17. The Board recognises that, despite their common use in the US, the Australian market does not generally support RSUs, and specifically did not support the Board's decision in 2016.
Long-term incentive	During FY17, the FY14 performance-based LTI grants were forfeited (see Section 4.2). However, reflecting Sims' strong TSR (46%, top quartile) performance over the period ending 30 June 2017, the FY15 LTI grants based on relative TSR will vest in full. The FY15 LTI grants based on EPS performance will lapse.
RSUs	The Board understands shareholders' concerns voiced in FY17 and at the 2016 AGM. No RSU grants were made to Executives in FY17 other than those already flagged to shareholders in the Company's FY16 Remuneration Report and approved at the 2016 AGM.

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

Key changes to the executive remuneration framework commencing FY18

Following shareholder feedback, and after a comprehensive review and redesign process, the Board has made a number of significant changes to the executive remuneration framework commencing FY18 as summarised below. Further details are outlined in Section 3.

The Board is confident that these changes – with further refinements to be made during FY18 for FY19 – will serve the Company and its shareholders well.

Key FY18 changes	
Guiding principles for design	Any changes to the framework reflect Sims' guiding principles that the executive remuneration framework is: • aligned to the business strategy and people values; • performance-based with realistic and challenging targets; • balanced between affordability and sustainability to reward executives while reflecting Sims' financial realities; and • easy to understand and administer.
LTI	The ROIC grant maximum opportunity has been reduced from 200% to 100%, consistent with the relative TSR tranche of the LTI grant. In addition, ROIC will be measured over a three year performance period, not the final year of the performance period. And, to support not only Sims' returns on shareholders' investment, but also the Company's growth, an earnings "gateway" has been introduced for the ROIC grant. This means that, regardless of the ROIC outcome, a threshold level of earnings over the three year performance period must be achieved for any vesting to occur, supporting that Sims does not want to "shrink to ROIC success".
RSUs	The Board understands shareholders' concerns voiced in FY17 and at the 2016 AGM. No RSU grants will be made to Executives in FY18, and the Board has no current intention to make similar grants of RSUs in the foreseeable future.
Remuneration benchmarking comparator group	The Board has determined a revised executive remuneration benchmark comparator group which is 50% Australian companies (previously 25%) and 50% US-based companies (previously 75%) of comparable size, market characteristics, and talent management challenges resulting from having widespread business operations in different jurisdictions around the world.
CEO remuneration	The new Group CEO's fixed remuneration is less than 85% of his predecessor's, and total remuneration opportunity is less than 70% of his predecessor's, and with a reduced maximum opportunity. These remuneration levels were informed by the new remuneration benchmarking comparator group data as well as shareholder feedback.

Section 3: Remuneration strategy and link to business objectives

At Sims, our remuneration strategy is designed to underpin the objectives of the Company and ensure the performance culture of the business is strongly aligned to our overarching objective of delivering sustainable value to Sims' shareholders.

During FY17, in acknowledgement of the concerns raised by some of our shareholders around particular components of the remuneration structure, and as part of our ongoing review process, the Committee appointed a new Australian-based remuneration advisor, undertook a comprehensive review of the executive remuneration framework, and actively consulted with both our internal and external stakeholders.

As part of this process, the Committee considered a number of other imperative factors and substantial challenges faced by Sims, including the:

- nature of its business operations and diverse talent management conditions across different jurisdictions around the world;
- cyclical nature of the Company's business operations; and
- challenging legacy business structure and remuneration framework resulting from a series of acquisitions.

As a result of this review process, the Board determined to make significant changes to the remuneration framework.

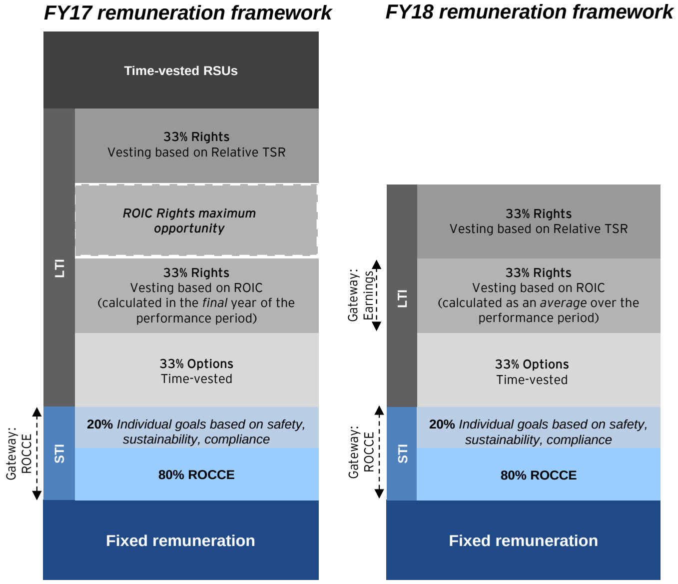
The changes made by the Board were based on four guiding principles to ensure the new remuneration structure is:

1. **Aligned to Sims' business objectives** and consistent with its people values;
2. **Performance-based** with measures that are balanced, realistic, challenging and encourage executives to continue to think like shareholders and long-term owners;
3. **Built on a balanced approach to affordability and sustainability** to appropriately reward executives for their contribution to Company performance while reflecting Sims' financial realities; and,
4. **Simple,** transparent and easy to understand and administer.

We believe the key changes to the remuneration framework for FY18, as outlined in the diagram below, reflect these principles and directly address concerns raised by many of our stakeholders. The table on the next page outlines the rationale for each of these changes.

In light of recent changes to the Executive team, the Committee will continue to work with the new Group CEO Alistair Field and his team to continue the process of improvement of the remuneration framework, taking into account ongoing shareholder feedback. The following table compares the FY17 remuneration framework for the Executive team to that which will apply in FY18:

FY17 remuneration framework ***FY18 remuneration framework***



Key remuneration framework changes for FY18:

- ✓ ***Reduced potential quantum for ROIC component***
- ✓ ***ROIC calculated as an average over the performance period***
- ✓ ***No time-vested RSUs***
- ✓ ***Earnings gateway on ROIC component***

Note that the Group CEO's, Galdino Claro's, LTI award in FY17 was 20% Options, 40% Rights ROIC, 40% Rights Relative TSR. The new Group CEO's (Alistair Field) FY18 LTI award will be structured as 33% Options, 33% Rights ROIC, 33% Rights Relative TSR.

Key changes to remuneration framework for FY18

Change		Rationale
LTI Rights	Introduce earnings gateway to ROIC tranche	An earnings gateway prior to any vesting of the ROIC component will address concerns of "shrinking to success" and reducing Company size in order to achieve the ROIC targets. The earnings gateway will be set by the Board at the time each grant is made. Earnings will be calculated as an average over the three-year performance period.
	Reduce quantum opportunity for ROIC component	When the ROIC performance rights were introduced to replace the EPS hurdled performance rights, the opportunity for this portion of performance rights was increased from 100% to 200%. This was to reflect the nature and challenge of the transformation strategy and to incentivise Executives during that period. As these performance rights will now reflect three years of performance starting with the final year of the transformation strategy, the Board believes an LTI opportunity of 100% for this portion is more appropriate.
	ROIC calculated as an average over the performance period	Using average ROIC over the performance period (rather than ROIC in the final year) will help to address the cyclical and volatile business environment in which Sims operates.
RSUs	No grants in FY18	As referenced in the FY16 Remuneration Report, the decision was made in FY16 to implement one-off grants of RSUs to Executives primarily for retention purposes. The Group CEO's RSU grant was approved at the 2016 AGM and the RSUs were granted to Executives in the first half of FY17. The Board understands shareholders' concerns voiced in FY17 and at the 2016 AGM. No RSU grants will be made to Executives in FY18, and the Board has no current intention to make similar grants of RSUs in the foreseeable future.
Revised remuneration benchmarking comparator group		During FY17, the Committee worked with its new Australian-based independent remuneration advisor to review the benchmark peer group. The companies listed below will comprise Sims' benchmark peer group commencing from FY18, reflecting the Company's Australian share market listing as well as its global operations. The companies were selected based on similarities to Sims in terms of size, country of listing, complexity of business operations across different jurisdictions around the world, offshore KMP, and industry dynamics. The previous peer group comprised eleven US companies and three Australian companies. The benchmark peer group now consists of nine Australian companies and nine US companies.

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

We believe the remuneration framework changes for FY18, as outlined above, will benefit the Company and shareholders. The Company intends to make further changes to be implemented commencing FY19, which will coincide with a review of role gradings across the Company planned by the new Group CEO.

Section 4: FY17 performance and pay outcomes

4.1 Historical Company performance

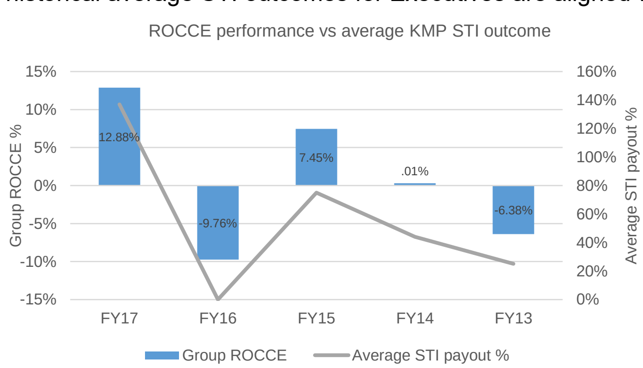
Performance was strong across the Company in FY17, with an improvement in all key financial metrics (as outlined in the table below) when compared to FY16 and prior years.

	Financial Year				
(A$)	**2017**	**2016[1]**	**2015**	**2014[1]**	**2013[1]**
Profit/(loss) before interest and tax (A$m)	201.2	(215.5)	145.5	(27.6)	(470.4)
Diluted earnings/(loss) per share (cents)	101.6	(106.8)	53.3	(43.5)	(228.6)
Return on Shareholders' Equity	10.3%	(11.8%)	5.2%	(4.9%)	(24.2%)
Total dividends paid (A$m)	63.2	46.8	53.2	-	20.4
Share price at 30 June A$	15.18	7.82	10.42	9.68	8.26

1 FY16, FY14, and FY13 reflect goodwill and other intangible impairment charges of A$53.0 million, A$28.5 million and A$304.4 million, respectively. There were no intangible impairment charges in FY17 or FY15.

4.2 Actual remuneration outcomes for FY17

The key remuneration outcomes for Sims' Executives in FY17 are outlined below, along with relevant Company performance.

Remuneration component	Outcome
Fixed remuneration (FR)	At the beginning of FY17, in line with its annual remuneration review, the Committee approved the following increases for key Executive roles, effective 1 September 2016: • The Group CEO received a base salary increase of 7.8%. • The Group CFO received a base salary increase of 3.0%. • The President - Global Trade received a base salary increase of 3.0%. • The Managing Director - Australia and New Zealand Metals received a FR increase of 3.0%. • The President - Global Sims Recycling Solutions (SRS) received a base salary increase of 3.0%. The Board understands shareholders' concerns made in FY17 regarding the Group CEO's increase, and reflected that feedback in determining the new Group CEO's fixed remuneration level.
STI	The Board exercised its discretion during FY17 to increase STI performance hurdles for the Executives. Left unchanged, the Company's improved business performance would have seen Executive remuneration significantly higher and, in the circumstances, excessive. In reaching this decision, the Board considered improved market conditions as well as the key contributors to the Company's results. Resulting FY17 STI payments were: • The Group CEO received a STI of $2.89 million, representing 139% of target STI. • For other Executives, the total value of their STI was $4.79 million, representing between 133% and 139% their target STI. In the prior year, no STI was paid to the Group CEO or other Executives for FY16 performance. The FY17 STI awards reflect substantial improvements in the delivery of ROCCE versus targets in FY17. Sims' statutory ROCCE over the past five years is shown in the chart below. The chart illustrates that historical average STI outcomes for Executives are aligned with the Company's ROCCE results: 

LTI	Outlined below is a summary of LTI awards that vested during FY17: **Performance Rights** • *FY13 LTI award:* On 31 August 2016, 54.79% of the award vested as a result of the Company's TSR ranking being above the 51st percentile relative to its peer companies for the performance period 1 July 2012 to 30 June 2016. The FY13 LTI award was subject to a final re-test on 30 June 2017. However, Sims' percentile rank remained unchanged and therefore no additional awards will vest and the remaining unvested awards will be forfeited. • *FY14 LTI award:* On 31 August 2016, 100% of the award was forfeited based on the Company not achieving threshold TSR or EPS targets for the performance period 1 July 2013 to 30 June 2016. The FY14 LTI award is not subject to re-testing. **Options** • The third tranche of Options under the FY14 grant, the second tranche of Options under the FY15 grant, and the first tranche of Options under the FY16 grant, vested in accordance with the terms of their grant. **Other awards under the LTI plan** • On his hire date, 3 November 2014, the Group CFO received an RSU award valued at US$1 million. The second tranche, representing one-third of that award, vested on 28 October 2016. • In recognition of taking on significant additional responsibilities related to global non-ferrous trade/operations, the President – Global Trade received an RSU award valued at US$500,000 on 1 March 2016. The second and third tranches vested on 1 September 2016 and 1 March 2017, respectively. • On his hire date, 1 October 2015, the Managing Director – Australia and New Zealand Metals (now the Group CEO) received an RSU award valued at A$500,000. The first tranche vested on 1 October 2016.

As part of its commitment to clear and transparent communication with shareholders, the Committee has added the following table[1] showing the remuneration that was actually paid to Executives in FY17. The figures in this table include the value of LTI performance rights that actually vested during FY17, reflecting performance in prior periods.

			STI		LTI		Total remuneration		
Executive (A$)[2]	**Year**	**FR$**[3]	**Actual $**[4]	***Target***[5]	**Actual vested $**[6]	***Target***	**Actual $**	***Target***	**Actual total remuneration as % of target total remuneration**
G Claro[7]	**2017**	**1,966,518**	**2,889,682**	***2,071,516***	**66,439**	***5,015,586***	**4,922,639**	***9,053,620***	**54%**
	2016	1,765,295	-	*2,013,250*	504,685	*4,814,294*	2,269,980	*8,592,839*	26%
F Knechtel[7]	**2017**	**1,185,667**	**1,471,446**	***1,087,575***	**386,399**	***1,639,475***	**3,043,512**	***3,912,717***	**78%**
	2016	1,123,200	-	*1,098,448*	377,870	*1,647,673*	1,501,070	*3,869,321*	39%
A Field	**2017**	**993,023**	**857,820**	***614,943***	**182,851**	***824,000***	**2,033,694**	***2,431,966***	**84%**
	2016	643,893	250,000	*600,000*	-	*800,000*	893,893	*2,043,893*	44%
W Schmiedel	**2017**	**1,386,387**	**1,679,358**	***1,223,523***	**1,111,787**	***1,844,409***	**4,177,532**	***4,454,319***	**94%**
	2016	1,209,836	-	*1,235,754*	516,883	*1,853,632*	1,726,719	*4,299,222*	40%
S Skurnac	**2017**	**845,777**	**777,387**	***586,313***	**90,377**	***785,648***	**1,713,541**	***2,217,738***	**77%**
	2016	1,109,160	-	*592,132*	217,509	*789,510*	1,326,669	*2,490,802*	53%

1 The figures in the table are different from those shown in the accounting table in Section 8, which is consistent with financial statement recognition and measurement, and includes an apportioned accounting value for all unvested STI and LTI grants during FY17 (some of which remain subject to satisfaction of performance and service conditions and may not ultimately vest).

2 All Executives received their cash payments in US dollars except for Mr Field who received his cash payments in Australian dollars.

3 Fixed remuneration for the purposes of this table includes cash salary, other benefits, pension and superannuation, and annual leave accruals. It is the same as the statutory remuneration disclosures.

4 Actual STI refers to the Executive's total STI in respect of FY17.

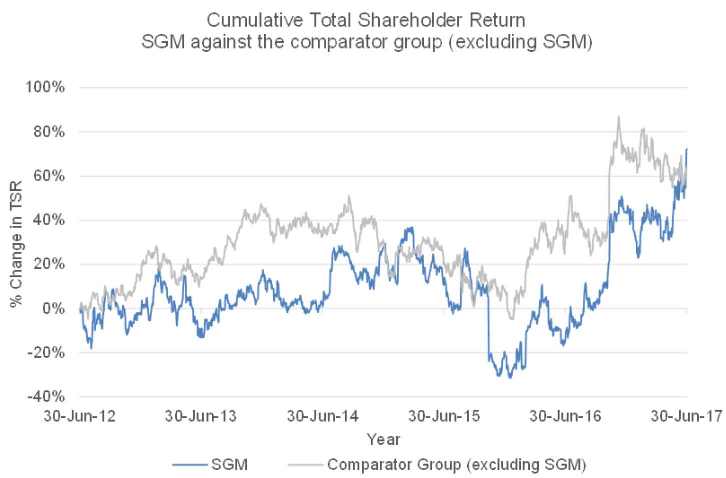
5 For the definition of target STI, refer to Section 5.2.

6 Actual vested LTI refers to equity grants from prior years that vested during FY17. The value has been calculated using the closing share price of the Company's shares on the day of vesting after deducting the exercise price. All Executives had options vest on 31 August 2016. Mr Knechtel had RSUs vest on 28 October 2016. Mr Field had RSUs vest on 1 October 2016. Mr Schmiedel had RSUs vest on 1 September 2016 and 1 March 2017. Mr Schmiedel and Mr Skurnac had Performance Rights vest on 25 August 2016 and 31 August 2016, which was based on achievement of TSR results compared to the Company's comparator group. The LTI value is determined based on the share price on the day of vest.

7 The Group CEO and Group CFO departed the Company on 3 August 2017.

Note the LTI value in the actual remuneration table includes performance rights under the LTI plan with performance periods ended 30 June 2016, but vesting in August 2016 (i.e., the FY13 re-test and the FY14 award).

The actual remuneration table does not include the value of the FY15 LTI award, which has a performance period ended 30 June 2017 and vesting date of 31 August 2017. For the FY15 LTI grant, 100% of the relative TSR performance rights vested as a result of the Company's TSR ranking being above the 75th percentile relative to its peer companies for the performance period 1 July 2014 to 30 June 2017. The FY15 EPS performance rights will lapse as threshold targets were not met.



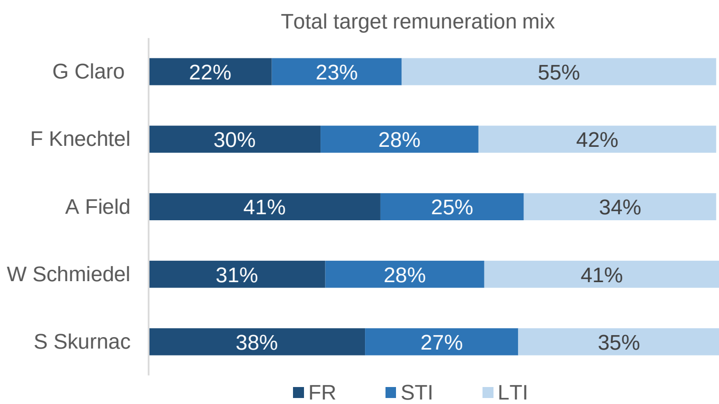
Section 5: Remuneration framework for FY17

Sims' executive remuneration framework provides the foundation for how remuneration is determined and paid, is aligned with the business' performance objectives, and is informed by market practice.

At Sims, executive remuneration is:

- Performance based: 78% of the Group CEO's total target remuneration is at risk and subject to short and long-term performance measures, and between 59%-70% of total target remuneration for the other Executives; and
- Equity focused: 55% of the Group CEO's total target remuneration is paid in equity, and between 34%-42% of other Executives' total target remuneration is paid in equity.

The chart below sets out the remuneration structure and mix for Sims' Executives.



5.1 Market positioning of fixed remuneration and total remuneration

Sims has adopted a market positioning strategy designed to attract and retain talented executives across its different business operations and jurisdictions around the world, and to reward them for delivering strong performance.

Fixed remuneration is reviewed annually and acts as a base level reward for a competent level of performance. It includes cash and benefits, which may include health insurance, life and disability insurance, retirement programs and automobile allowances. Fixed and total remuneration at Sims reference the market median (50^{th} percentile) as just one input to the Company's decision making, with flexibility around that reference point based on:

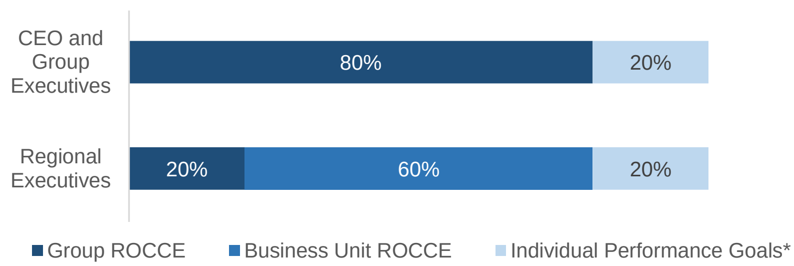
- The size and complexity of the role;
- The criticality of the role to successful execution of the business strategy;
- Skills and experience required for the role; and
- Market pay levels and competitiveness against the benchmark peer group.

The FY17 benchmarking peer group (changed for FY18, per Section 3) comprised the following 14 listed companies:

Executive benchmarking peer group		
Australian listed companies		
Brambles Limited	Boral Limited	BlueScope Steel Limited
US listed companies		
AK Steel Holding Corporation	Allegheny Technologies Inc	Commercial Metals Co
Masco Corporation	Nucor Corporation	Reliance Steel & Aluminum Co
Republic Services Inc.	Schnitzer Steel Industries Inc.	Steel Dynamics Inc.
USG Corporation	Waste Management Inc.	

5.2 STI plan for FY17

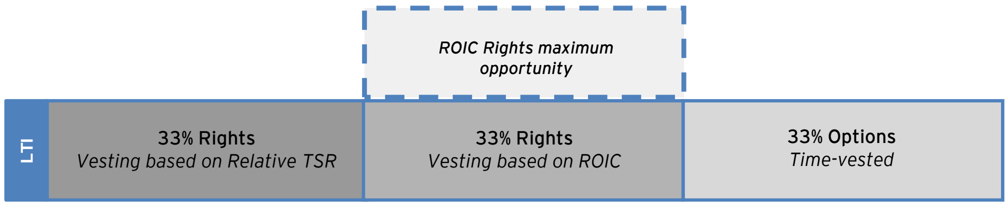
The table below summaries the key aspects of the STI plan for FY17.

What is the STI plan?	• Eligible employees have an opportunity to earn an annual cash incentive based on the achievement of pre-defined financial (ROCCE) targets and individual goals.
What is ROCCE and why is it used?	• ROCCE is defined as return on controlled capital employed and is calculated as profit divided by funds deployed: - Profit in the numerator refers to earnings before interest and taxes, which the Committee believes represents ordinary earnings within the influence of management. - Controlled capital employed (CCE) in the denominator is total funds used by management in the business and represents the average balances of CCE (net assets adjusted for cash, external borrowings, taxes and intercompany balances) throughout the financial year to generate ordinary earnings. • ROCCE is the right success measure of investment in the business as it rewards investment decisions that deliver higher returns (efficient use of capital) rather than just increased profits. Consistent with that focus on capital, debt cannot be used to influence the ROCCE outcomes as it is not subtracted in the denominator.
What is the range of STI opportunity?	• The STI is determined by reference to three performance hurdles: - Threshold - Target - Maximum • For FY17, the threshold was determined as the greater of 75% of target ROCCE, or 100% of the prior year ROCCE target. At threshold, 50% of target STI is paid and this increases in a linear fashion to 100% of target STI opportunity at target ROCCE achievement. • The STI target opportunity is 115% of fixed remuneration for the Group CEO, and ranges from 75% to 100% of fixed remuneration for other Executives. • 200% of the target STI opportunity is paid for maximum ROCCE achievement.
What is the financial gateway?	• The financial gateway provides stronger alignment between STI payments and Company financial performance. No STI payments are made if the financial gateway is not achieved. - Group CEO and Group Executives: Threshold Group ROCCE (for the full financial year). - Regional Executives: Threshold Group ROCCE and threshold business unit ROCCE for the relevant STI portion.
What is the weighting between Group, business unit and individual performance goals?	• Once the financial gateway is achieved, the STI plan rewards eligible employees for both financial and individual goals. The table below outlines the weighting of each STI measure.  *Subject to ROCCE threshold.
What are the Group and business unit measures and why were they chosen?	• ROCCE was chosen to represent 80% of the STI measures because it is the Company's key financial measure. • Regional Executives: 75% of the financial portion of their STI (or 60% of their total STI target) is based on Business Unit ROCCE, creating strong line of sight to the level of ROCCE that they can influence. The remaining 25% of the financial portion of their STI (or 20% of their total STI target) is based on Group ROCCE to encourage collaboration at the Group level and a focus on Group results.

What are the individual goals and why were they chosen?	• Individual non-financial goals are set in several key performance areas focusing on individual initiatives that are critical to the overall success of the Company and the execution of the Company's five-year strategic plan. • Group CEO: The Committee established for FY17 a matrix of six specific criteria summarised into the following categories: safety and sustainability, compliance, HR and people development (talent management and driving a diverse and inclusive culture) and strategic objectives. • Other Executives: All Executives have goals aligned with the Group CEO for safety and sustainability, compliance and HR and people development, along with strategic objectives appropriate to their area of responsibility.
Why aren't the specific performance targets disclosed?	• The Company understands the desire for greater transparency of specific targets. However, given the Company's size and position in the industry, the Board believes disclosing precise financial / individual goals would put it at a competitive disadvantage due to commercial sensitivity.
How are the performance measures determined?	• The financial performance hurdles are determined by referencing the Company's current year budget and cost of capital in consideration of the current economic cycle. • The individual goals are determined taking into consideration the areas of specific focus by the Executives to support delivery of the Company's five-year strategic plan.
How is individual performance assessed?	• The Group CEO's performance is assessed by the Committee and a recommended payment is approved by the Board. Each Executive's performance is assessed by the Group CEO, and recommended payments are considered and, if appropriate, approved by the Committee. • An individual's performance is rated on a scale of 1 to 4. Participants must receive a weighted average rating of at least 2.0 (meets expectations) in order to receive target payment based on the individual performance component. A rating below 1.75 results in no award with regard to the individual performance component.
Does the Board have discretion?	• The Board has discretion over the level of any STI awards paid to the Executives.
How is the STI delivered?	• The STI is delivered as cash in September following the finalisation of the Company's audited financial results.
Why is there no STI deferral or clawback?	• The Committee conducted a review of the need to introduce STI deferral for Executives to align with Australian market practice and with shareholder interests, as well as the Company's retention objectives. However, given that Sims' Executives have a significant weighting on equity in their FY17 remuneration mix (ranging from 34% to 55%), the Committee concluded that the introduction of STI deferral is not necessary at this time. • The Company does not have a policy that allows for the clawback of STI payments. The Committee recognises that the clawback of STI payments may be appropriate in certain circumstances and may consider introducing a relevant policy in the future.
What are the termination provisions?	• A voluntary termination prior to the last calendar day of the financial year will result in no STI being paid for the year, unless the Committee determines otherwise. Upon a qualifying employment cessation (i.e. generally, termination due to death, permanent disability, redundancy, or in other circumstances determined at the discretion of the Board), STI performance for the relevant period will be assessed and paid. See Section 6 for further information on Executives' entitlements to any STI on termination. • No STI payments are applicable in the case of termination for cause.

5.3 LTI plan for FY17

The diagram below outlines the key aspects of the FY17 grants for the Group CEO and other Executives under the LTI plan:



Note that the Group CEO's (Galdino Claro), LTI award in FY17 was 40% Rights Relative TSR, 40% Rights ROIC, and 20% Options. The new Group CEO's (Alistair Field) FY18 LTI award will be structured as 33% Options, 33% Rights ROIC, 33% Rights Relative TSR.

Further detail on the FY17 grants under the LTI plan is outlined in the table below:

<table>
<tr><td>What is the purpose of the LTI plan?</td><td>The LTI plan encourages better alignment between the Executives and shareholder interests, as the ultimate reward is dependent upon the Company's financial performance and share price. The LTI plan incentivises the Executives to achieve ROIC, share price appreciation and relative total shareholder return targets over a period of 1-3 years (87% of the Group CEO's grant and 78% of other Executives' grants are not eligible for vesting until the end of the third year from grant).</td></tr>
<tr><td>What is the frequency and timing of awards?</td><td>Awards are made annually.</td></tr>
<tr><td>Are awards re-tested?</td><td>There is no re-testing of any awards under the LTI plan.</td></tr>
<tr><td>What is ROIC and why is it used under the LTI plan?</td><td>ROIC is an acronym which means return on invested capital. It is calculated as earnings before interest and after tax divided by invested capital.
ROIC includes all operating cost and investment in the business. It balances the cyclical nature of commodity prices and the investments required to support working capital. It is subject to adjustments as approved at the Committee's discretion.
ROIC aligns the Company's long-term goals with the interests of shareholders.</td></tr>
<tr><td>What instruments are offered under the LTI plan?</td><td>The table below provides further information on the two equity instruments:
<table>
<tr><th>Instrument</th><th>Description</th></tr>
<tr><td>Performance rights</td><td>- A performance right is a contractual right to acquire an ordinary share for nil consideration if specified performance conditions are met. All Executives received performance rights in FY17.</td></tr>
<tr><td>Options</td><td>- An option is a contract that gives the holder the right, but not the obligation, to acquire an ordinary share at a fixed price over a specified period of time.
- Options reward Executives for absolute share price performance because the options only have value if the Company's share price exceeds the exercise price at the end of the vesting period. All Executives received options in FY17 as part of the annual grant cycle.</td></tr>
</table></td></tr>
<tr><td>Why are options included as part of the LTI plan?</td><td>Options are a small component of the LTI plan, representing 20% of the LTI opportunity for the Group CEO and 33% of the LTI opportunity for other Executives.
Options are included in the LTI plan because it is critical that the Company, in light of the geographic spread of its operations and talent pool, has a globally competitive remuneration framework. While the grant of rights subject to relative TSR and ROIC reflects Australian competitive market practice, the grant of options subject to vesting over a 1-3 year period reflects competitive USA market practice. If options were not included as part of the LTI plan, there is a risk that the Company would not be able to attract quality talent in the USA, its largest operating jurisdiction.</td></tr>
</table>

What is the target and maximum LTI opportunity?

- The target LTI opportunity is 275% of fixed remuneration for the Group CEO and ranges between 100% and 150% of fixed remuneration for other Executives.
- The maximum LTI opportunity is dependent on the number of rights that vest, the number of options that are exercised, and the Company's share price at the vesting/exercise date.

How are the number of LTI awards determined?

- The number of rights and options granted is determined based on the fair value of the rights and options on the date of approval by the Committee. The fair value of rights is calculated by Mercer (in their prior role as external remuneration advisor) for the Committee using a Black-Scholes, Binomial or Monte Carlo simulation option pricing model as appropriate.

What are the performance measures and why were they chosen?

Performance measure	Rationale and comments
Relative TSR (50% of performance rights based on value)	

Relative TSR (50% of performance rights based on value)

- TSR performance is measured over a three-year period. For grants made in FY17 this is the period from 1 July 2016 through to 30 June 2019.
- The peer group is:

Peer companies	
AK Steel Holding Corporation	Nucor Corporation
Alcoa Inc.	POSCO
Allegheny Technologies Inc.	Reliance Steel & Aluminum Co.
ArcelorMittal S.A.	Schnitzer Steel Industries Inc.
BlueScope Steel Limited	Steel Dynamics Inc.
Commercial Metals Co.	Tokyo Steel MFG Co Ltd.
Gerdau S.A.	U.S. Steel Corporation

- The vesting schedule is:

TSR growth relative to the peer group	Proportion of TSR grant vesting
10th position or lower	0%
9th position	45%
8th position	60%
7th position	75%
6th position	90%
5th position or greater	100%

Rationale and comments:

- The relative TSR performance hurdle ensures that Executives are rewarded for their contribution to achieving Company TSR ranking at the 9th position or higher compared to the companies in the peer group.
- The peer group was chosen as it reflects companies that are comparable to the Company in terms of industry, footprint and complexity.
- The use of relative TSR is common market practice in Australia and the US.

ROIC (50% of performance rights based on value)

- ROIC performance is measured in the final year of the three-year period. For grants made in FY17, this is the year from 1 July 2018 through to 30 June 2019.
- ROIC of the Company for FY19 will be determined by taking Profit of the Company for FY19 and dividing it by Invested Capital.
- The vesting schedule is:

ROIC of the Company for FY19	Proportion of ROIC grant vesting
Less than 8.0%	0%
8.0% (Threshold)	50%
Between 8.0% and 10%	Straight-line vesting between 50% and 100%
10.0% (Target)	100%
Between 10% and 12.0%	Straight-line vesting between 100% and 200%
12.0% (Maximum)	200%

Rationale and comments:

- The ROIC performance hurdle was chosen by the Board as it assesses the success of the business in generating ROIC consistent with the Company's five-year strategic plan and significantly ahead of the Company's performance in the four financial years prior to its introduction.
- Note that commencing FY18, ROIC will be measured over a three year performance period, with maximum of 100% vesting.

<table>
<tr>
<td>What are the performance measures and why were they chosen? (continued)</td>
<td>
<table>
<tr><th>Performance measure</th><th>Rationale and comments</th></tr>
<tr>
<td>Absolute share price growth (100% of options)

Options have an inherent absolute share price growth hurdle, being the exercise price. This is because the Company's share price must increase and exceed the exercise price at the end of the vesting period for the options to deliver value to participants.
The exercise price of options is set at grant, and is equal to the average closing share price for the five days preceding the grant date[1].
The options vest in three equal instalments over a three-year period. Specifically, for grants made in FY17, each instalment vests on the last business day of August, as follows:

One-third in 2017,
One-third in 2018, and
One-third in 2019.

Options expire seven years after the date of grant.
</td>
<td>
Options reward absolute growth in shareholder wealth.
The use of options is common market practice in the USA, where the Company competes for a significant part of its business operations and talent.
The tiered vesting schedule over 1-3 years reflects common market practice in the USA.
</td>
</tr>
</table>
</td>
</tr>
<tr>
<td>Do participants receive dividends?</td>
<td>Holders of rights and options are not entitled to dividends over the term of the relevant vesting period (and in the case of options, until exercised).</td>
</tr>
<tr>
<td>Treatment of awards on termination of employment</td>
<td>
As all instruments are subject to a continuous service provision, where a participant resigns, or is terminated for cause, his or her awards are forfeited.
Where termination of employment is the result of a qualifying cessation (i.e. generally death, permanent disablement, redundancy, or in other circumstances at the discretion of the Board), a participant will be entitled to his or her unvested awards subject to any performance conditions, in accordance with the original vesting schedule.
Any unvested rights held by an eligible terminated participant will be tested at the end of the relevant performance period. Any unvested awards will lapse at the end of the relevant performance period. In respect of the Group CEO's entitlement to any continual vesting under the LTI plan on termination, see Section 6.
</td>
</tr>
<tr>
<td>How are awards treated on a change of control?</td>
<td>
The Board has the discretion to immediately vest the rights and options prior to their vesting date if there is a change of control event.
The rights and options will immediately vest in the event that a takeover bid of the Company is recommended by the Board, or a scheme of arrangement concerning the Company, which would have a similar effect to a full takeover bid, is approved by the Company's shareholders.
</td>
</tr>
</table>

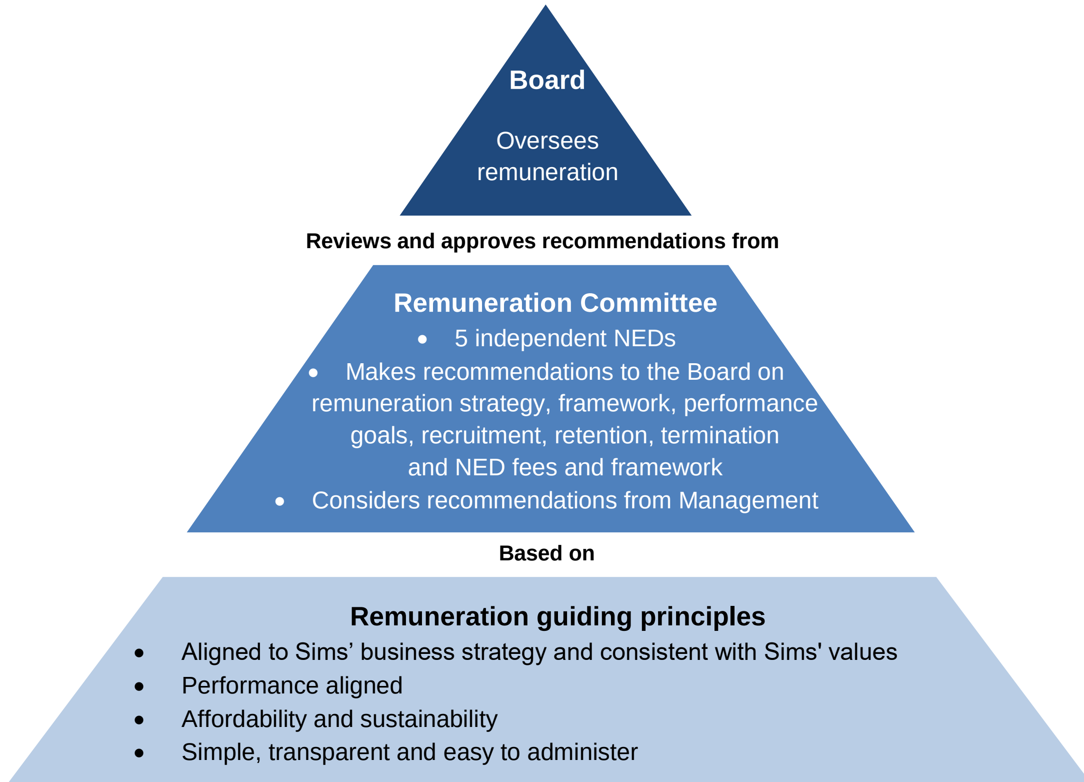
[1] For USA based Executives, option awards are not Incentive Stock Options for the purpose of Section 422 of the United States Internal Revenue Code.

5.4 Restricted Share Units (RSUs)

As referenced in the FY16 Remuneration Report, the decision was made in FY16 to implement one-off grants of RSUs to Executives primarily for retention purposes. These RSUs were granted in the first half of FY17 and will vest on the first, third, and fourth anniversary of grant, and are otherwise subject to the terms of the LTI plan.

Section 6: Remuneration governance

Sims has a strong remuneration governance framework, with the Board being ultimately responsible for the Company's executive remuneration practices. The Committee advises the Board in making remuneration decisions, and works with management and advisors to apply its remuneration principles and ensure the Company's strategy supports sustainable shareholder value.



In FY17, the Committee appointed Ernst & Young (EY), a firm with in-depth sector, Australian market and cross-border experience, as its external remuneration advisor.

During FY17, EY conducted a comprehensive review of the Company's remuneration framework and provided the Committee with information on current Australian and US market practice and remuneration design advice.

For the purposes of the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011*, no remuneration recommendations in relation to KMP as defined by Division 1 of Part 1.2 of Chapter 1 of the *Corporations Act 2001 (Act)* were provided by EY or any other advisor during FY17.

Executive contracts

Each Executive, including the Group CEO, has a formal contract of a continuing nature with no fixed term of service. There were no changes to the terms of the contracts for Executives during FY17.

Group CEO contract

The former Group CEO, Galdino Claro, was employed under an ongoing contract which could be terminated with notice by either party. Under the terms of that contract, the former Group CEO was entitled to:

- Total fixed remuneration of US$1,375,000 per annum;
- Target STI opportunity of 115% of annual total fixed remuneration; and
- Target LTI opportunity of 275% of annual total fixed remuneration.

The current Group CEO, Alistair Field, is employed under an ongoing contract which can be terminated with notice by either party. The current Group CEO is entitled to:

- Total fixed remuneration of US$1,150,000 per annum;
- Target STI opportunity of 100% of annual total fixed remuneration; and
- LTI opportunity of 200% of annual total fixed remuneration.

Mr Field will also be entitled to continuation of his existing benefits and obligations in respect of his long term international assignment to New York, US (to the extent they are not inconsistent with the above entitlements and the terms of his employment agreement).

The new contractual terms for Mr Field in FY18 reflect the changed benchmark group approach to executive remuneration at Sims.

Termination provisions

The termination provisions are relatively consistent for all Executive contracts and are outlined in the table below. The notice period for all Executives is three months, which applies to notice provided by either the Executive or the Company.

Termination entitlements	Change of control
Termination by the Company for convenience: a) 12 months fixed remuneration; b) Pro-rata STI payment subject to performance testing; c) LTI awards continue to vest, subject to performance testing, in accordance with their original vesting schedule; d) Any accrued but unpaid remuneration (leave and accrued benefits); and e) Up to 12 months of Company paid health insurance premiums. In respect of b) and c), the Board can determine otherwise, acting reasonably having regard to the Executive's performance. Termination by the Executive for good reason: Entitled to a), b), c), d) and e). Termination due to death or permanent disablement, or in other circumstances determined at the discretion of the Board: Entitled to b), c), d) and, other than on death, e).	A change of control, as defined in the contract, may allow the Executive to terminate for good reason.

Section 7: Non-executive Directors' fees

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

The maximum aggregate amount available for NED remuneration (including superannuation) is the greater of A$3 million and US$3 million per annum as approved by shareholders at the Company's 2015 Annual General Meeting.

The Company will maintain its current policy of only paying NEDs who are US residents in US$. With approximately 51% of the Company's revenue derived from operations in the US, it is essential that the Company is able to attract and retain competent and experienced US based directors.

There have been no changes to NED base fees since July 2011, other than a temporary 10% reduction during FY14 to reflect the financial results of the Company at that time. The table below outlines NED base fees for FY17 and FY16:

NED fees (A$) / (US$)	**2017**	2016
Board		
Chairperson (base fee)	**450,528**	450,528
NED (base fee)	**203,424**	203,424
Board Committees		
Chairperson Risk, Audit & Compliance Committee	**25,000**	25,000
Chairperson Safety, Health, Environment, Community & Sustainability Committee	**25,000**	25,000
Chairperson Remuneration Committee	**25,000**	25,000
Chairperson Finance & Investment Committee	**25,000**	25,000
Chairperson Nomination/Governance Committee	**25,000**	25,000
Committee Membership	**8,000**	8,000

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

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

For Australian resident NEDs, superannuation is paid in addition to the above fees. The Company pays superannuation at 9.5% for each Australian resident NED. Superannuation is not paid in respect of overseas NEDs. NEDs do not receive any retirement benefits.

Statutory NED remuneration disclosures

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

Name	Location	Financial Year	Short-term benefits Cash fees	Post-employment benefits Superannuation[1]	Total A$	Total US$
R Bass[2]	USA	**2017**	**325,680**	**–**	**325,680**	**244,424**
		2016	322,925	–	322,925	244,424
G Brunsdon	Australia	**2017**	**466,528**	**44,320**	**510,848**	**385,133**
		2016	466,528	44,320	510,848	372,040
J DiLacqua[2]	USA	**2017**	**325,680**	**–**	**325,680**	**244,424**
		2016	322,925	–	322,925	244,424
G Nelson[2]	USA	**2017**	**292,370**	**–**	**292,370**	**219,424**
		2016	289,759	–	289,759	219,424
D O'Toole	Australia	**2017**	**238,332**	**22,642**	**260,974**	**196,741**
		2016	221,091	21,004	242,095	176,312
C Renwick[3]	Australia	**2017**	**87,585**	**8,321**	**95,906**	**72,433**
		2016	244,424	23,220	267,644	194,920
H Ridout	Australia	**2017**	**235,424**	**22,365**	**257,789**	**194,350**
		2016	235,424	22,365	257,789	187,743
T Sato[4]	Japan	**2017**	**219,424**	–	**219,424**	**163,194**
		2016	219,424	–	219,424	159,802
J Thompson[2]	USA	**2017**	**325,680**	**–**	**325,680**	**244,424**
		2016	322,925	–	322,925	244,424
Total		**2017**	**2,516,703**	**97,648**	**2,614,351**	**1,964,547**
		2016	2,645,425	110,909	2,756,334	2,043,513

1 Superannuation contributions are made on behalf of Australian resident NEDs to satisfy the Company's obligations under Australian Superannuation Guarantee legislation.
2 Messrs Bass, DiLacqua and Thompson and Ms Nelson are residents of the USA and receive their payments in US dollars.
3 Mr Renwick retired from the Board on 9 November 2016. Subsequent to his retirement from the Board, Mr Renwick received A$1,500 for services he provided to the Company from 15 November 2017 to 17 November 2017.
4 Mr Sato is Mitsui & Co's representative director. Up until 30 November 2016, his NED fees were paid to a Mitsui & Co affiliate in Australia.

Section 8: Executive statutory remuneration disclosures and transactions

8.1 Executive statutory remuneration table

The following Executive remuneration table has been prepared in accordance with the accounting standards and has been audited:

(A$)			Short-term benefits			Post-employment benefits			Share-based payments[5]	
Name	Location	FY	Cash salary[1]	Cash bonus[2]	Other benefits[3]	Pension and super-annuation	Other long-term benefits[4]	Termination benefits	LTI	Total
G Claro[6,8]	USA	**2017**	**1,801,760**	**2,889,682**	**70,143**	**94,616**	**6,632**	**-**	**3,786,399**	**8,649,232**
		2016	1,687,729	-	20,229	57,338	6,865	-	1,131,924	2,904,085
F Knechtel[6,8]	USA	**2017**	**1,087,694**	**1,471,446**	**25,638**	**72,335**	**6,632**	**-**	**1,721,806**	**4,385,551**
		2016	1,075,575	-	499	47,126	6,865	-	763,873	1,893,938
A Field[7]	Australia	**2017**	**785,000**	**857,820**	**173,023**	**35,000**	**13,443**	**-**	**966,413**	**2,830,699**
		2016	573,750	250,000	43,893	26,250	9,532	-	316,143	1,219,568
W Schmiedel[6]	USA	**2017**	**1,223,649**	**1,679,358**	**72,751**	**89,987**	**6,632**	**-**	**1,966,450**	**5,038,827**
		2016	1,159,561	-	-4,707	54,982	6,865	-	911,188	2,127,889
S Skurnac[6]	USA	**2017**	**781,824**	**777,387**	**14,048**	**49,905**	**6,632**	**-**	**769,837**	**2,399,633**
		2016	775,093	-	289,708	44,359	6,865	-	308,672	1,424,697
Total		**2017**	**5,679,927**	**7,675,693**	**355,603**	**341,843**	**39,971**	**-**	**9,210,905**	**23,303,942**
		2016	5,271,708	250,000	349,622	230,055	36,992	-	3,431,800	9,570,177

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

2 Cash bonus amounts for FY17 and FY16 reflect the amounts accrued for all Executives under the FY17 and FY16 STI plans respectively. In accordance with Mr Field's offer of employment, he received a $250,000 signing bonus in FY16.

3 Other short-term benefits include auto allowances, health and life insurance benefits, amounts accrued for annual leave during the period and personal security payments. For USA employees, it also includes a Paid Time Off policy which includes a carry-over feature of up to twice the annual entitlement. For Mr Field, the FY17 amount includes expenses paid by the Company related to his relocation to the United States, effective 1 July 2017.

4 Other long-term benefits include amounts accrued for long-service leave (for Mr Field) and deferred compensation plans (for Messrs Claro, Knechtel, Schmiedel and Skurnac).

5 Share-based payments represent the accounting expense (as computed pursuant to AASB 2, 'Share-based Payments') recognised by the Company for share-based awards.

6 Messrs Claro, Knechtel, Schmiedel and Skurnac received their cash payments in United States dollars.; In addition, Mr Skurnac received his UK secondment payments for FY16 in British pounds.

7 Mr Field commenced employment in FY16 on 1 October 2015. His FY16 remuneration reflects the period 1 October 2015 to 30 June 2016.

8 The Group CEO and Group CFO departed the Company on 3 August 2017. The figures presented in this table are subject to finalisation of separation arrangements which have not been completed as at the date of this Report.

8.2 Share based payment disclosures and equity holdings

8.2.1 Options provided as remuneration

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

Name	Grant date	Number granted	Exercise price	Fair value at grant date	Date next tranche can be exercised	Expiry date	% of options that have vested	Maximum total value of unvested grant[1]
Ordinary Shares (A$)								
G Claro	14 Nov 14	172,866	$ 10.85	$ 2.61	31 Aug 17	14 Nov 21	66.7%	$ 9,683
	13 Nov 15	343,650	$ 9.38	$ 1.14	31 Aug 17	13 Nov 22	33.3%	$ 71,115
	10 Nov 16	423,827	$ 10.51	$ 3.78	31 Aug 17	10 Nov 23	0%	$ 889,691
F Knechtel	14 Nov 14	131,528	$ 10.85	$ 2.61	31 Aug 17	14 Nov 21	66.7%	$ 7,367
	13 Nov 15	196,022	$ 9.38	$ 1.14	31 Aug 17	13 Nov 22	33.3%	$ 40,564
	10 Nov 16	230,898	$ 10.51	$ 3.78	31 Aug 17	10 Nov 23	0%	$ 484,697
A Field	13 Nov 15	109,537	$ 9.38	$ 1.14	31 Aug 17	13 Nov 22	33.3%	$ 22,668
	10 Nov 16	112,109	$ 10.51	$ 3.78	31 Aug 17	10 Nov 23	0%	$ 235,338
W Schmiedel	14 Nov 14	99,210	$ 10.85	$ 2.61	31 Aug 17	14 Nov 21	66.7%	$ 5,557
	13 Nov 15	208,273	$ 9.38	$ 1.14	31 Aug 17	13 Nov 22	33.3%	$ 43,100
	10 Nov 16	259,761	$ 10.51	$ 3.78	31 Aug 17	10 Nov 23	0%	$ 545,285
S Skurnac	14 Nov 14	64,136	$ 10.85	$ 2.61	31 Aug 17	14 Nov 21	66.7%	$ 3,592
	13 Nov 15	93,927	$ 9.38	$ 1.14	31 Aug 17	13 Nov 22	33.3%	$ 19,437
	10 Nov 16	110,648	$ 10.51	$ 3.78	31 Aug 17	10 Nov 23	0%	$ 232,272

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

The number of options over ordinary shares or ADSs in the Company held during the financial year by each Executive is set out below. Values are in Australian dollars for ordinary shares and US dollars for ADSs.

Name	Balance at 1 July 2016	Number Granted	Number Exercised	Number Forfeited/ Expired	Balance at 30 June 2017	Vested	Unvested	Number of options that vested during FY17	Value of options granted during FY17
Ordinary shares (A$)									
G Claro	655,230	423,827	-	-	1,079,057	368,508	710,549	218,410	$1,603,479
F Knechtel	327,550	230,898	-	-	558,448	153,027	405,421	109,184	$ 873,564
A Field	109,537	112,109	-	-	221,646	36,512	185,134	36,512	$ 424,146
W Schmiedel	382,515	259,761	(144,456)	-	497,820	66,140	431,680	127,505	$ 982,762
S Skurnac	212,831	110,648	-	-	323,479	128,835	194,644	70,944	$ 418,619
ADSs (US$)									
W Schmiedel	210,574	-	-	(29,643)	180,931	180,931	-	-	$ -
S Skurnac	46,224	-	-	(5,960)	40,264	40,264	-	-	$ -

8.2.2 *Performance Rights and Restricted Share Units provided as remuneration*

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

Name	Grant date	Number granted	Fair value at grant date	Date next tranche vests	Maximum total value of unvested grant[1]
Ordinary Shares (A$)					
G Claro[7]	14 Nov 14	127,467	$ 7.45	31 Aug 17	$ 50,844
	14 Nov 14	91,781	$ 10.10	31 Aug 17	$ 926,988[2]
	13 Nov 15	335,652[6]	$ 6.44	31 Aug 18	$ 2,161,599[3]
	13 Nov 15	218,437	$ 3.56	31 Aug 18	$ 286,745
	10 Nov 16	109,489	$ 12.01	10 Nov 17	$ 477,842
	10 Nov 16	137,718	$ 11.31	11 Nov 19	$ 1,226,762
	10 Nov 16	137,718	$ 10.98	10 Nov 20	$ 1,271,152
	10 Nov 16	306,306	$ 8.86	30 Aug 19	$ 1,857,723
	10 Nov 16	459,968	$ 11.38	30 Aug 19	$ 5,234,436[4]
F Knechtel[7]	28 Oct 14	34,955	$ 9.72	28 Oct 17	$ 37,166
	14 Nov 14	48,493	$ 7.45	31 Aug 17	$ 19,343
	14 Nov 14	34,917	$ 10.10	31 Aug 17	$ 352,662[2]
	13 Nov 15	95,730[6]	$ 6.44	31 Aug 18	$ 616,501[3]
	13 Nov 15	62,299	$ 3.56	31 Aug 18	$ 81,781
	13 Sep 16	52,138	$ 8.99	31 Aug 17	$ 82,325
	13 Sep 16	56,211	$ 8.46	30 Aug 19	$ 347,767
	13 Sep 16	56,211	$ 8.21	31 Aug 20	$ 368,812
	10 Nov 16	83,437	$ 8.86	30 Aug 19	$ 506,039
	10 Nov 16	125,294	$ 11.38	30 Aug 19	$ 1,425,846[4]
A Field	1 Oct 15[5]	17,236	$ 9.30	1 Oct 17	$ 20,365
	1 Oct 15[5]	17,235	$ 9.03	1 Oct 18	$ 64,977
	13 Nov 15	53,494[6]	$ 6.44	31 Aug 18	$ 344,501[3]
	13 Nov 15	34,813	$ 3.56	31 Aug 18	$ 45,699
	13 Sep 16	34,758	$ 8.99	31 Aug 17	$ 54,882
	13 Sep 16	37,474	$ 8.46	30 Aug 19	$ 231,845
	13 Sep 16	37,474	$ 8.21	31 Aug 20	$ 245,874
	10 Nov 16	40,511	$ 8.86	30 Aug 19	$ 245,696
	10 Nov 16	60,834	$ 11.38	30 Aug 19	$ 692,291[4]
W Schmiedel	14 Nov 14	36,577	$ 7.45	31 Aug 17	$ 14,590
	14 Nov 14	26,337	$ 10.10	31 Aug 17	$ 266,004[2]
	13 Nov 15	101,712[6]	$ 6.44	31 Aug 18	$ 655,025[3]
	13 Nov 15	66,193	$ 3.56	31 Aug 18	$ 86,892
	13 Sep 16	62,565	$ 8.99	31 Aug 17	$ 98,789
	13 Sep 16	67,454	$ 8.46	30 Aug 19	$ 417,325
	13 Sep 16	67,454	$ 8.21	31 Aug 20	$ 442,579
	10 Nov 16	93,866	$ 8.86	30 Aug 19	$ 569,290
	10 Nov 16	140,956	$ 11.38	30 Aug 19	$ 1,604,079[4]
S Skurnac	14 Nov 14	23,646	$ 7.45	31 Aug 17	$ 9,432
	14 Nov 14	17,026	$ 10.10	31 Aug 17	$ 171,963[2]
	13 Nov 15	45,870[6]	$ 6.44	31 Aug 18	$ 295,403[3]
	13 Nov 15	29,852	$ 3.56	31 Aug 18	$ 39,187
	13 Sep 16	26,069	$ 8.99	31 Aug 17	$ 41,162
	13 Sep 16	28,106	$ 8.46	30 Aug 19	$ 173,887
	13 Sep 16	28,106	$ 8.21	31 Aug 20	$ 184,409
	10 Nov 16	39,983	$ 8.86	30 Aug 19	$ 242,494
	10 Nov 16	60,042	$ 11.38	30 Aug 19	$ 683,278[4]
ADSs (US$)					
W Schmiedel	16 Nov 12	21,231	$ 4.12	31 Aug 17	$ -
S Skurnac	16 Nov 12	4,991	$ 4.12	31 Aug 17	$ -

1 No performance rights or RSUs will vest if the vesting conditions are not satisfied, hence the minimum value of unvested awards is nil. The maximum value of the unvested performance rights and RSUs has been determined as the amount of the grant date fair value that is yet to be expensed.

2 These grants relate to performance rights issued in FY15 subject to an EPS performance hurdle. Based on the Company's assessment at 30 June 2017, these performance rights will not vest. No amount has been expensed related to these awards.

3 These grants relate to performance rights issued in FY16 subject to a ROIC performance hurdle achievement in FY18. Since the measurement of this award will be based on FY18 financial information, no amount has been expensed relating to these performance rights in FY17.

4 These grants relate to performance rights issued in FY17 subject to an ROIC performance hurdle achievement in FY19. Since the measurement of this award will be based on FY19 financial information, no amount has been expensed relating to these performance rights in FY17.

5 Represents a sign-on RSU award provided to Mr Field on his commencement date of 1 October 2015.

6 Number granted was restated from the amount disclosed in FY16 to reflect the maximum number of rights that could be issued.

7 The Group CEO and Group CFO departed the Company on 3 August 2017. The figures presented in this table are subject to finalisation of separation arrangements which have not been completed as at the date of this Report.

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

Name	Instrument that performance rights and RSUs are over	Balance at 1 July 2016[1]	Number Granted	Number Vested	Number Forfeited	Balance at 30 June 2017
G Claro	Ordinary shares	974,926	1,151,199	-	(201,589)	1,924,536
F Knechtel	Ordinary shares	311,349	373,291	(34,955)	-	649,685
A Field	Ordinary shares	140,014	211,051	(17,236)	-	333,829
W Schmiedel	ADSs	56,714	-	(31,074)	(4,409)	21,231
	Ordinary shares	364,890	432,295	(68,734)	(65,337)	663,114
S Skurnac	ADSs	13,333	-	(7,305)	(1,037)	4,991
	Ordinary shares	164,086	182,306	-	(47,692)	298,700

1 Balance at 1 July 2016 was restated to reflect the maximum amount of rights that could be issued.

8.2.3 Share holdings

The number of shares in the Company held during the financial year by each NED and Executive, including their personally related parties, is set out below:

Name	Balance at 1 July 2016	Received on exercise of options, performance rights and RSUs	Purchases / (sales)	Other changes during the year	Balance at 30 June 2017
NEDs					
R Bass	18,000	-	-	-	18,000
G Brunsdon	22,057	-	-	-	22,057
J DiLacqua	2,500	-	-	-	2,500
G Nelson	6,700	-	-	-	6,700
D O'Toole	8,000	-	-	-	8,000
C Renwick	13,144	-	-	(13,144)[1]	-
H Ridout	5,000	-	-	-	5,000
T Sato	-	-	-	-	-
J Thompson	22,000	-	-	-	22,000
Executives					
G Claro	96,505	-	-	-	96,505
F Knechtel	34,955	34,955	(30,000)	-	39,910
A Field	-	17,236	(17,236)	-	-
W Schmiedel	25,984	244,264	(265,722)	-	4,526
S. Skurnac	12,787[2]	7,305	(3,055)	-	17,037

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

2 Represents an adjustment to the prior year reported share holding.

8.3 Other transactions with KMP

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

Mr Sato serves as the representative director for Mitsui & Co. His NED fees up to November 2016 were paid directly to an affiliate of Mitsui & Co. In FY17, the Company paid A$73,141 to Mitsui & Co in NED fees (FY16: A$219,424).

8.4 Legacy LTI grants

The FY13 LTI award and FY15 LTI award were tested on 30 June 2017, as outlined in Section 4. Table 8.2.2 summarises LTI grants that remain unvested, as well as their vesting dates. The FY16 LTI award, consisting of a relative TSR and ROIC portion, will be tested on 30 June 2018, following the end of the performance period.

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

G N Brunsdon
Chairperson
Sydney
25 August 2017

A Field
Managing Director and Group CEO
New York
24 August 2017

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The Board of Directors
Sims Metal Management Limited
16 West 22nd Street, 10th Floor
New York, NY 10010
United States

25 August 2017

Dear Board Members

Sims Metal Management Limited

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

As lead audit partner for the audit of the financial statements of Sims Metal Management Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Don Pasquariello

Don Pasquariello
Partner
Chartered Accountants

Sims Metal Management Limited
Consolidated Income Statements
For the year ended 30 June 2017

	Note	**2017 A$m**	2016 A$m
Revenue	3	**5,089.6**	4,663.9
Other income	3	**47.6**	19.4
Raw materials used and changes in inventories		**(3,352.1)**	(3,014.3)
Freight expense		**(390.5)**	(379.3)
Employee benefits expense		**(588.5)**	(566.8)
Depreciation and amortisation expense	5	**(112.3)**	(126.4)
Repairs and maintenance expense		**(88.1)**	(86.1)
Other expenses		**(440.9)**	(557.3)
Impairment of goodwill and other intangibles		**-**	(53.0)
Impairment of investment in joint venture		**-**	(119.1)
Finance costs	5	**(11.6)**	(13.0)
Share of results of joint ventures	24	**37.8**	6.8
Profit/(loss) before income tax		**191.0**	(225.2)
Income tax benefit	12	**12.6**	8.7
Profit/(loss) for the year		**203.6**	(216.5)

		A¢	A¢
Earnings/(loss) per share			
Basic	7	**103.0**	(106.8)
Diluted	7	**101.6**	(106.8)

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

Sims Metal Management Limited
Consolidated Statements of Comprehensive Income
For the year ended 30 June 2017

	Note	**2017 A$m**	2016 A$m
Profit/(loss) for the year		**203.6**	(216.5)
Other comprehensive income:			
Items that may be reclassified to profit or loss, net of tax			
Movement in cash flow hedging reserve	20	**0.9**	0.7
Foreign exchange translation differences arising during the period	20	**(39.0)**	36.3
Items that will not be reclassified to profit or loss, net of tax			
Re-measurements of defined benefit plans		**6.4**	(3.2)
Other comprehensive (loss)/income for the year, net of tax		**(31.7)**	33.8
Total comprehensive income/(loss) for the year		**171.9**	(182.7)

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

Sims Metal Management Limited
Consolidated Statements of Financial Position
As at 30 June 2017

	Note	**2017 A$m**	2016 A$m
Current assets			
Cash and cash equivalents	17	**378.5**	248.3
Trade and other receivables	8	**423.0**	397.9
Inventory	9	**402.7**	398.3
Other financial assets	16	**13.6**	11.6
Assets classified as held for sale	31	**9.9**	24.6
Total current assets		**1,227.7**	1,080.7
Non-current assets			
Investments in joint ventures	24	**204.0**	190.2
Other financial assets	16	**10.9**	16.1
Property, plant and equipment	10	**970.9**	985.1
Retirement benefit assets	15	**4.7**	4.5
Deferred tax assets	12	**166.4**	124.5
Intangible assets	11	**158.4**	169.8
Total non-current assets		**1,515.3**	1,490.2
Total assets		**2,743.0**	2,570.9
Current liabilities			
Trade and other payables	13	**514.9**	432.9
Borrowings	18	**2.1**	2.1
Other financial liabilities	16	**2.5**	12.8
Current tax liabilities		**17.7**	11.3
Provisions	14	**56.4**	69.2
Total current liabilities		**593.6**	528.3
Non-current liabilities			
Payables	13	**8.5**	8.8
Borrowings	18	**3.4**	4.1
Deferred tax liabilities	12	**84.5**	103.2
Provisions	14	**81.4**	85.7
Retirement benefit obligations	15	**4.0**	8.3
Total non-current liabilities		**181.8**	210.1
Total liabilities		**775.4**	738.4
Net assets		**1,967.6**	1,832.5
Equity			
Contributed equity	19	**2,733.8**	2,737.3
Reserves	20	**60.1**	68.3
Accumulated deficit	20	**(826.3)**	(973.1)
Total equity		**1,967.6**	1,832.5

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

Sims Metal Management Limited
Consolidated Statements of Changes in Equity
For the year ended 30 June 2017

	Note	Contributed equity A$m	Reserves A$m	Accumulated deficit A$m	Total equity A$m
Balance at 1 July 2015		2,797.4	22.0	(706.6)	2,112.8
Loss for the year		-	-	(216.5)	(216.5)
Other comprehensive income/(loss)		-	37.0	(3.2)	33.8
Total comprehensive income/(loss) for the year		-	37.0	(219.7)	(182.7)
Transactions with owners in their capacity as owners:					
Dividends paid	6	-	-	(46.8)	(46.8)
Share buyback	19	(60.3)	-	-	(60.3)
Share options exercised	19	0.2	-	-	0.2
Share-based payments expense, net of tax		-	9.3	-	9.3
		(60.1)	9.3	(46.8)	(97.6)
Balance at 30 June 2016		2,737.3	68.3	(973.1)	1,832.5
Profit for the year		**-**	**-**	**203.6**	**203.6**
Other comprehensive income/(loss)		**-**	**(38.1)**	**6.4**	**(31.7)**
Total comprehensive income/(loss) for the year		**-**	**(38.1)**	**210.0**	**171.9**
Transactions with owners in their capacity as owners:					
Dividends paid	6	**-**	**-**	**(63.2)**	**(63.2)**
Share buyback	19	**(13.4)**	**-**	**-**	**(13.4)**
Share options exercised	19	**9.9**	**-**	**-**	**9.9**
Share-based payments expense, net of tax		**-**	**29.9**	**-**	**29.9**
		(3.5)	**29.9**	**(63.2)**	**(36.8)**
Balance at 30 June 2017		**2,733.8**	**60.1**	**(826.3)**	**1,967.6**

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

Sims Metal Management Limited
Consolidated Statements of Cash Flows
For the year ended 30 June 2017

	Note	2017 A$m	2016 A$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**5,274.6**	4,818.3
Payments to suppliers and employees (inclusive of goods and services tax)		**(5,000.5)**	(4,666.5)
		274.1	151.8
Interest received		**1.4**	3.3
Interest paid		**(9.8)**	(11.3)
Insurance recoveries		**0.3**	0.1
Dividends received from joint ventures	24	**18.7**	7.0
Income taxes paid		**(18.3)**	(19.6)
Net cash inflows from operating activities	17	**266.4**	131.3
Cash flows from investing activities			
Payments for property, plant and equipment		**(126.5)**	(108.9)
Proceeds from sale of property, plant and equipment		**10.1**	6.2
Proceeds from sale of assets held for sale		**48.0**	6.3
Proceeds from sale of business		**5.1**	-
Proceeds from sale of interest in associate		**-**	0.1
Payments for other financial assets		**(1.5)**	(1.7)
Proceeds from sale of other financial assets		**1.6**	2.1
Loans to third parties		**(0.1)**	(0.6)
Proceeds from repayment on third party loans		**0.3**	0.7
Net cash outflows from investing activities		**(63.0)**	(95.8)
Cash flows from financing activities			
Proceeds from borrowings		**303.0**	586.2
Repayment of borrowings		**(300.5)**	(585.0)
Fees paid for loan facilities		**-**	(4.1)
Repayment of finance leases		**(2.0)**	(1.7)
Payments for shares bought back	19	**(13.4)**	(60.3)
Proceeds from issue of shares		**8.6**	0.2
Dividends paid	6	**(63.2)**	(46.8)
Net cash outflows from financing activities		**(67.5)**	(111.5)
Net increase/(decrease) in cash and cash equivalents		**135.9**	(76.0)
Cash and cash equivalents at the beginning of the financial year		**248.3**	316.0
Effects of exchange rate changes on cash and cash equivalents		**(5.7)**	8.3
Cash and cash equivalents at the end of the financial year	17	**378.5**	248.3

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

Sims Metal Management Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2017

Notes to the Consolidated Financial Statements
For the year ended 30 June 2017

OVERVIEW

1 – Basis of preparation

Sims Metal Management Limited (the "Company") is a for-profit company incorporated and domiciled in Australia. The consolidated financial statements for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures and joint operations.

Basis of preparation
This general purpose financial report:

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

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

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

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

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

- Revenue (note 3)
- Inventory (note 9)
- Impairments (note 11)

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

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

Translation
The financial statements of overseas subsidiaries are maintained in their functional currencies and are converted to the Group's presentation currency as follows:

- assets and liabilities are translated at the rate of exchange as at balance date;
- income statements are translated at average exchange rates for the reporting period which approximate the rates ruling at the dates of the transactions; and
- all resultant exchange differences are recorded in the foreign currency translation reserve.

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

FINANCIAL PERFORMANCE

2 – Segment information

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

The Group operates in four principal operating segments: North America Metals, Australia/New Zealand Metals, Europe Metals and Global E-Recycling. The segments are based on a combination of factors including geography, products and services. All other operating segments are included within the "Unallocated" operating segment. Details of the segments are as follows:

- **North America Metals ("NAM")** – comprising subsidiaries and joint ventures in the United States of America and Canada which perform ferrous and non-ferrous secondary recycling functions and the Group's ferrous trading entity.
- **ANZ Metals ("ANZ")** – comprising subsidiaries and joint arrangements in Australia, New Zealand and Papua New Guinea which perform ferrous and non-ferrous secondary recycling functions.
- **Europe Metals ("Europe")** – comprising subsidiaries in the United Kingdom which perform ferrous and non-ferrous secondary recycling functions.
- **Global E-Recycling ("SRS")** – comprising subsidiaries which provide electronic recycling solutions in the following countries: Australia, Austria, Belgium, Czech Republic, Dubai, Germany, India, Ireland, Netherlands, New Zealand, Norway, Poland, Republic of South Africa, Singapore, Sweden, the United Kingdom and the United States of America.
- **Unallocated** – comprising unallocated corporate costs, interests in a joint venture in Australia, and the Group's non-ferrous trading entity.

The Group also reports revenues by the following product groups:

- **Ferrous secondary recycling** – comprising the collection, processing and trading of iron and steel secondary raw material.
- **Non-ferrous secondary recycling** – comprising the collection, processing and trading of other metal alloys and residues, principally aluminum, lead, copper, zinc and nickel bearing materials.
- **Recycling solutions** – comprising the provision of environmentally responsible solutions for the disposal of post-consumer electronic products, including IT assets recycled for commercial customers. The Group offers fee-for-service business opportunities in the environmentally responsible recycling of negative value materials including electrical and electronic equipment.
- **Secondary processing and other services** - comprising value-added processes involving the smelting, refining and ingoting of certain non-ferrous metals and other sources of service based revenue.

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.

Sales to external customers[1]

	2017 A$m	2016 A$m
Australia	**303.9**	285.7
China	**1,011.2**	560.5
Turkey	**706.2**	679.9
Germany	**220.8**	233.9
United States	**1,040.3**	1,049.8
Other	**1,797.0**	1,841.9
Total sales revenue	**5,079.4**	4,651.7

[1] Reflects the customer geographic location

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

Revenue by product

	2017 A$m	2016 A$m
Ferrous secondary recycling	**3,136.1**	2,703.0
Non-ferrous secondary recycling	**1,123.7**	1,055.3
Recycling solutions	**726.9**	792.7
Secondary processing and other services	**92.7**	100.7
Total sales revenue	**5,079.4**	4,651.7

2 – Segment information (continued)

Information about reportable segments

	NAM A$m	ANZ A$m	Europe A$m	SRS A$m	Unallocated A$m	Total A$m
2017						
Total sales revenue	**2,417.5**	**981.4**	**924.3**	**726.9**	**29.3**	**5,079.4**
Other revenue	**5.4**	**1.5**	**-**	**0.1**	**3.2**	**10.2**
Total segment revenue	**2,422.9**	**982.9**	**924.3**	**727.0**	**32.5**	**5,089.6**
Segment EBIT	**88.5**	**62.3**	**38.5**	**22.4**	**(10.5)**	**201.2**
Interest income						**1.4**
Finance costs						**(11.6)**
Profit before tax						**191.0**
Assets	**1,141.7**	**542.5**	**329.2**	**382.1**	**347.5**	**2,743.0**
Liabilities	**232.3**	**122.4**	**119.9**	**149.3**	**151.5**	**775.4**
Net assets	**909.4**	**420.1**	**209.3**	**232.8**	**196.0**	**1,967.6**
Other items:						
Depreciation and amortisation	**(62.9)**	**(28.6)**	**(12.0)**	**(8.2)**	**(0.6)**	**(112.3)**
Share of results of joint ventures	**28.6**	**-**	**-**	**-**	**9.2**	**37.8**
Investments in joint ventures	**156.6**	**0.1**	**-**	**-**	**47.3**	**204.0**
Capital expenditures	**82.6**	**24.9**	**13.2**	**7.2**	**0.7**	**128.6**
2016						
Total sales revenue	2,352.6	743.6	759.1	792.7	3.7	4,651.7
Other revenue	5.3	3.3	0.1	0.2	3.3	12.2
Total segment revenue	2,357.9	746.9	759.2	792.9	7.0	4,663.9
Segment EBIT	(145.8)	31.1	(29.7)	(60.2)	(10.9)	(215.5)
Interest income						3.3
Finance costs						(13.0)
Loss before tax						(225.2)
Assets	1,145.0	481.7	245.2	447.9	251.1	2,570.9
Liabilities	221.6	112.7	123.8	149.1	131.2	738.4
Net assets	923.4	369.0	121.4	298.8	119.9	1,832.5
Other items:						
Depreciation and amortisation	(73.4)	(26.9)	(13.8)	(11.6)	(0.7)	(126.4)
Impairment of interest in joint venture	(119.1)	-	-	-	-	(119.1)
Intangible asset impairment	(6.8)	-	(0.2)	(46.0)	-	(53.0)
Share of results of associates and joint ventures	0.4	-	-	-	6.4	6.8
Investments in associates and joint ventures	150.0	0.1	-	-	40.1	190.2
Capital expenditures	36.6	53.6	18.8	5.7	0.5	115.2

3 – Revenue and other income

	2017 A$m	2016 A$m
Sales revenue		
Sale of goods	**4,997.2**	4,542.0
Service revenue	**82.2**	109.7
	5,079.4	4,651.7
Other revenue		
Interest income	**1.4**	3.3
Rental and dividend income	**8.8**	8.9
	10.2	12.2
Total revenue	**5,089.6**	4,663.9

	2017 A$m	2016 A$m
Net gain on commodity derivatives	**-**	5.9
Net gain on currency derivatives	**2.0**	-
Net foreign exchange gain	**3.3**	0.5
Net gain on disposal of property, plant and equipment	**27.7**	3.6
Net gain on sale of business	**3.8**	-
Net gain on revaluation of financial assets at fair value through profit or loss	**0.7**	-
Government grants	**0.9**	1.3
Third party commissions	**1.4**	0.7
Other	**7.8**	7.4
Total other income	**47.6**	19.4

Recognition and measurement

Sale of goods

Revenue from the sale of goods is recognised when there is persuasive evidence of an arrangement, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods have been determined with reasonable accuracy, the price is fixed or determinable and collectability is reasonably assured.

Service revenue

Service revenue is recognised when the services have been provided. Service revenue received in advance of the service being rendered is deferred.

Interest income

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

Rental and dividend income

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

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

Critical accounting estimate and judgement

Revenue is generally recognised when title passes. Title for both our ferrous and non-ferrous secondary recycling products and recycling solutions products are based on contract terms which vary across businesses. The majority of the Group's ferrous bulk cargo sales arrangements specify that title passes once all material has been loaded onto a vessel (i.e. passed the ship's rail).

Judgement is required to determine when risks and rewards have transferred under certain contractual arrangements and as a result the period in which revenue should be recognised.

4 – Significant items

	2017 A$m	2016 A$m
Impairments:		
Impairment of goodwill[1]	**-**	43.3
Impairment of other intangible assets[1]	**-**	9.7
Impairment of investment in joint venture[2]	**-**	119.1
(Reversal of impairment)/impairment of property, plant and equipment (note 10)[3]	**(1.0)**	31.8
Gain on sale of property	**24.3**	-
Redundancies	**7.2**	9.8
Net (reversals)/expenses related to lease settlements and onerous lease provisions[4]	**(2.8)**	44.5
Yard closure costs and dilapidation provisions[4]	**1.1**	13.9

[1] In the year ended 30 June 2016, the Group's operating results were significantly impacted by economic conditions. As a result, the Group assessed the future cash flows of its operating segments and intangible assets and recognised an impairment on goodwill and intangible assets in the North America Metals and Global E-Recycling segments.

[2] In the year ended 30 June 2016, operating results for the Group's SA Recycling joint venture were significantly impacted by economic conditions. As a result, the Group assessed the recoverable amount of its investment in SA Recycling and recognised an impairment on its investment.

[3] Impairments recorded in in the year ended 30 June 2017 include impairments recognised for facilities closed offset by the reversal of previously recorded impairments. Impairments in the year ended 30 June 2016 primarily relate to the Group's resetting plans that were announced in November 2015.

[4] Provisions relate to the Group's resetting plans that were announced in November 2015 and primarily relate to facilities in the Europe and SRS segments and the reassessment of these plans in the year ended 30 June 2017.

Recognition and measurement

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

5 – Expenses

	2017 A$m	2016 A$m
Depreciation and amortisation:		
Depreciation expense	**103.0**	113.4
Amortisation expense	**9.3**	13.0
	112.3	126.4
Finance costs	**11.6**	13.0
Net loss on currency derivatives	**-**	8.1
Net loss on commodity derivatives	**12.4**	-
Net loss on revaluation of financial assets at fair value through profit or loss	**-**	0.5
Rental expenses relating to operating leases	**84.4**	100.7

Recognition and measurement

Depreciation and amortisation

Refer to note 10 for depreciation and note 11 for amortisation.

Finance costs

Finance costs mainly comprise commitment fees on the Group's loan facilities of A$8.5 million (2016: A$7.9 million).

Operating leases

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

6 – Dividends

	Cents per share	Amount A$m
2017:		
Interim 2017 (100% franked)	**20.0**	**39.5**
Final 2016 (100% franked)	**12.0**	**23.7**
		63.2
2016:		
Interim 2016 (0% franked)	10.0	20.1
Final 2015 (100% franked)	13.0	26.7
		46.8

Since the end of the financial year, the directors have determined to pay a final dividend of 20 cents per share 100% franked and a special dividend of 10 cents per share 0% franked. The aggregate amount of the proposed dividend expected to be paid on 20 October 2017, but not recognised as a liability at the end of the reporting period, is A$59.4 million.

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

At 30 June 2017, there are A$20.0 million (2016: A$39.5 million) estimated franking credits available to shareholders for subsequent financial years.

7 – Earnings/(loss) per share

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

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

	2017	2016
Basic earnings/(loss) per share (in A¢)	**103.0**	(106.8)
Diluted earnings/(loss) per share (in A¢)	**101.6**	(106.8)
Weighted average number of shares used in the denominator ('000)		
Basic shares	**197,620**	202,737
Dilutive effect of share-based awards	**2,756**	-
Diluted shares	**200,376**	202,737

Due to the loss after tax in the year ended 30 June 2016, the dilutive effect of share-based awards, which was approximately 1.45 million, was not included as the result would have been anti-dilutive.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2017

ASSETS AND LIABILITIES

8 – Trade and other receivables

	2017 A$m	2016 A$m
Trade receivables	**344.8**	332.6
Provision for impairment of receivables	**(3.3)**	(3.1)
Net trade receivables	**341.5**	329.5
Other receivables	**57.7**	37.1
Tax receivable	**3.1**	6.7
Prepayments	**20.7**	24.6
Total current receivables	**423.0**	397.9
Movement in provision for impairment of receivables		
Balance at 1 July	**3.1**	4.4
Provision recognised during the year	**0.5**	0.4
Write-offs	**(0.2)**	(1.7)
Foreign exchange differences	**(0.1)**	-
Balance at 30 June	**3.3**	3.1
Past due but not impaired		
Days overdue		
1 – 30 days	**17.1**	27.5
31 – 60 days	**2.4**	4.9
Over 60 days	**3.4**	4.3
	22.9	36.7

Recognition and measurement

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

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written-off by reducing the carrying amount directly. An allowance account (a provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.
When a trade receivable for which an impairment provision had been recognised becomes uncollectible in a subsequent period, it is written-off against the provision for impairment account. Subsequent recoveries of amounts previously written-off are credited against other expenses in profit or loss.

9 – Inventories

	2017 A$m	2016 A$m
Raw materials	**48.2**	78.3
Finished goods	**336.5**	300.6
Stores and spare parts	**18.0**	19.4
	402.7	398.3

The cost of inventories recognised as expense during the year ended 30 June 2017 amounted to A$3,449.8 million (2016: A$3,123.2 million).

Recognition and measurement

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

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

Critical accounting estimate and judgement

Valuation of inventories

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

Net realisable value

The Group reviews its inventory at the end of each reporting period to determine if it is properly stated at net realisable value. Net realisable value is based on estimated future selling prices. Impairment losses may be recognised on inventory if management needs to revise its estimates of net realisable value in response to changing market conditions.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2017

10 – Property, plant and equipment

	Land A$m	Buildings A$m	Leasehold improve-ments A$m	Plant & equip-ment[1] A$m	Capital work in progress A$m	Total A$m
At 30 June 2017						
Cost	**319.0**	**376.1**	**87.1**	**1,165.0**	**63.2**	**2,010.4**
Accumulated depreciation	**-**	**(148.5)**	**(61.3)**	**(829.7)**	**-**	**(1,039.5)**
Net book amount	**319.0**	**227.6**	**25.8**	**335.3**	**63.2**	**970.9**
Movement						
Balance at 1 July	**320.2**	**221.3**	**24.8**	**357.3**	**61.5**	**985.1**
Additions	**19.8**	**1.8**	**2.3**	**9.3**	**95.4**	**128.6**
Disposals	**(5.5)**	**(3.0)**	**(0.4)**	**(2.4)**	**(0.5)**	**(11.8)**
Transfers	**(2.6)**	**35.6**	**3.3**	**55.6**	**(91.9)**	**-**
Reclassified from assets held for sale	**0.6**	**0.7**	**-**	**3.6**	**-**	**4.9**
Reclassified to assets held for sale	**(3.4)**	**(3.0)**	**-**	**-**	**-**	**(6.4)**
(Impairments)/reversals[2]	**-**	**(1.3)**	**-**	**1.3**	**0.1**	**0.1**
Depreciation expense	**-**	**(18.9)**	**(3.5)**	**(80.6)**	**-**	**(103.0)**
Foreign exchange differences	**(10.1)**	**(5.6)**	**(0.7)**	**(8.8)**	**(1.4)**	**(26.6)**
Balance at 30 June	**319.0**	**227.6**	**25.8**	**335.3**	**63.2**	**970.9**
At 30 June 2016						
Cost	320.2	358.5	86.0	1,141.2	61.5	1,967.4
Accumulated depreciation	-	(137.2)	(61.2)	(783.9)	-	(982.3)
Net book amount	320.2	221.3	24.8	357.3	61.5	985.1
Movement						
Balance at 1 July	319.7	207.3	28.9	405.9	70.0	1,031.8
Additions	-	1.0	2.8	18.4	93.0	115.2
Disposals	(2.4)	(3.0)	(0.4)	(3.0)	(0.3)	(9.1)
Transfers	8.0	37.1	1.6	53.4	(100.1)	-
Reclassified to assets held for sale	(4.8)	(7.0)	-	(10.5)	-	(22.3)
Impairments[3]	(6.8)	(0.2)	(2.4)	(22.3)	(0.1)	(31.8)
Depreciation expense	-	(18.7)	(5.2)	(89.5)	-	(113.4)
Foreign exchange differences	6.5	4.8	(0.5)	4.9	(1.0)	14.7
Balance at 30 June	320.2	221.3	24.8	357.3	61.5	985.1

[1]The net book value of assets acquired through finance leases was A$3.7 million as at 30 June 2017 (2016: A$6.1 million).
[2]2017 impairments relate to closed facilities offset by the reversal of previous impairments.
[3]2016 impairments relate to the Group's resetting plans.

Recognition and measurement

Carrying value

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

10 – Property, plant and equipment (continued)

Recognition and measurement (continued)

Depreciation

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

- Buildings – 25 to 40 years
- Plant and equipment – 1 to 20 years
- Leasehold improvements – lesser of life of asset or life of the lease

Proceeds from sale of assets

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

Impairment

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

11 – Intangible assets

	Goodwill A$m	**Supplier relation-ships A$m**	**Permits A$m**	**Licenses/ Contracts A$m**	**Trade-names A$m**	**Total A$m**
At 30 June 2017						
Cost	**1,523.5**	**265.8**	**11.1**	**45.5**	**39.5**	**1,885.4**
Accumulated impairment	**(1,413.5)**	**(13.1)**	**(8.9)**	**(0.4)**	**(0.6)**	**(1,436.5)**
Accumulated amortisation	**-**	**(228.0)**	**-**	**(44.2)**	**(18.3)**	**(290.5)**
Net book amount	**110.0**	**24.7**	**2.2**	**0.9**	**20.6**	**158.4**
Movement						
Balance at 1 July	**110.3**	**32.4**	**2.2**	**1.5**	**23.4**	**169.8**
Amortisation expense	**-**	**(6.8)**	**-**	**(0.5)**	**(2.0)**	**(9.3)**
Foreign exchange differences	**(0.3)**	**(0.9)**	**-**	**(0.1)**	**(0.8)**	**(2.1)**
Balance at 30 June	**110.0**	**24.7**	**2.2**	**0.9**	**20.6**	**158.4**
At 30 June 2016						
Cost	1,576.4	274.6	11.5	47.0	40.9	1,950.4
Accumulated impairment	(1,466.1)	(13.7)	(9.3)	(0.4)	(0.6)	(1,490.1)
Accumulated amortisation	-	(228.5)	-	(45.1)	(16.9)	(290.5)
Net book amount	110.3	32.4	2.2	1.5	23.4	169.8
Movement						
Balance at 1 July	150.0	49.0	2.2	2.9	25.1	229.2
Amortisation expense	-	(9.8)	-	(1.2)	(2.0)	(13.0)
Impairment charge	(43.3)	(8.7)	-	(0.3)	(0.7)	(53.0)
Foreign exchange differences	3.6	1.9	-	0.1	1.0	6.6
Balance at 30 June	110.3	32.4	2.2	1.5	23.4	169.8

11 – Intangible assets (continued)

Recognition and measurement

Goodwill

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

Other intangible assets

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

Amortisation

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

Impairment

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

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 inflows, which are largely independent of the cash inflows from other assets or groups of assets ("CGUs"). Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting period.

Goodwill has been allocated, for impairment testing purposes, to the CGUs as follows:

CGU	Segment	2017 A$m	2016 A$m
Continental Europe Recycling Solutions	Global E-Recycling	**64.1**	64.3
Australia Metals	ANZ Metals	**42.0**	42.0
North America Metals	North America Metals	**1.5**	1.5
All other CGUs		**2.4**	2.5
Total		**110.0**	110.3

Sensitivities

Other than as disclosed below, the Group believes that for all other CGUs, any reasonably possible change in the key assumptions would not cause the carrying value of the CGUs to exceed their recoverable amount.

The North America Metals CGU has A$1.5 million of goodwill and A$47.6 million of other intangibles at 30 June 2017. The impairment testing for this CGU at 30 June 2017 reflected excess headroom of 14% of the carrying value. An assessment of the impact of possible changes in key assumptions was performed to assess the recoverability of other long-lived assets for this CGU at 30 June 2017. If the discount rate was 1% higher, with all other assumptions being the same, an impairment charge of A$5.1 million would have been recorded.

11 – Intangible assets (continued)

Critical accounting estimate and judgement

Determination of potential impairment requires an estimation of the recoverable amount of the CGUs to which the goodwill and intangible assets with indefinite useful lives are allocated. The recoverable amount of each CGU is determined based on the higher of its value in use or fair value less costs to sell. These calculations require the use of assumptions such as discount rates, growth rates and other assumptions.

Key assumptions used for goodwill and intangible asset impairment tests

The value in use calculations use a five year cash flow projection, which is based initially on the budget for the 2018 financial year (as approved by the Board) and a four year forecast prepared by management. The four year forecast is developed using historical averages derived from four years of historical results and the budget for the 2018 financial year. These five year projections also incorporate management estimates related to the inherent impact of future volatility in volumes, commodity prices and margins drawn from past experience and factor in current and expected future economic conditions. A terminal value is determined from the final year of cash flow based on application of the Gordon Growth model.

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

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

The key assumptions used for the value in use calculations were as follows:

	Discount rate (pre-tax)		**Growth rate**	
	2017	2016	**2017**	2016
CGU	**%**	%	**%**	%
US Recycling Solutions	**10.8**	13.4	**1.8**	2.0
North America Metals	**12.7**	12.3	**1.8**	2.0
Continental Europe Recycling Solutions	**11.6**	11.6	**1.4–2.0**	1.5–2.2
Australia Metals	**14.9**	13.9	**2.4**	2.6
India Recycling Solutions	**14.4**	14.9	**8.4**	8.5
United Kingdom Metals	**10.0**	10.1	**2.3**	2.5
All other CGUs	**7.0-24.4**	9.1-20.1	**1.1-6.1**	1.1-5.8

12 – Income taxes

	2017 A$m	2016 A$m
Income tax expense		
Current income tax charge	**34.7**	14.3
Adjustments for prior years	**(0.1)**	(2.8)
Deferred income tax	**(47.2)**	(20.2)
Income tax benefit recognised in profit or loss	**(12.6)**	(8.7)
Reconciliation of income tax expense to prima facie income tax expense		
Profit/(loss) before income tax	**191.0**	(225.2)
Tax at the standard Australian rate of 30%	**57.3**	(67.5)
Effect of tax rates in other jurisdictions	**22.9**	(2.4)
Deferred tax assets not recognised	**17.5**	17.2
Recognition of tax effect of previously unrecognised tax losses	**(108.8)**	(1.1)
Non-deductible expenses	**2.0**	3.7
Non-deductible impairment of joint venture	**-**	41.5
Share of results of joint ventures	**(3.4)**	(2.6)
Non-assessable income	**(1.5)**	(3.1)
Share-based payments	**(3.3)**	3.2
Adjustments for prior years	**(0.3)**	(0.1)
Other	**5.0**	2.5
Income tax benefit recognised in profit or loss	**(12.6)**	(8.7)
Income tax (credited)/charged directly to equity		
Share-based payments	**(10.0)**	-
Exchange (loss)/gain on foreign denominated intercompany loans	**(5.3)**	6.1
	(15.3)	6.1
Tax (benefit)/expense relating to items of other comprehensive income		
Cash flow hedges	**0.4**	0.3
Defined benefit plans	**(4.0)**	0.3
	(3.6)	0.6

Notes to the Consolidated Financial Statements
For the year ended 30 June 2017

12 – Income taxes (continued)

	2017 A$m	2016 A$m
Deferred tax assets and liabilities		
Deferred tax assets		
The balance comprises temporary difference attributable to:		
(amounts recognised in profit or loss)		
Provisions and other accruals	**13.1**	30.7
Employee benefits	**16.4**	18.7
Inventory and consumables	**-**	2.6
Property, plant and equipment	**21.8**	10.7
Intangible assets	**23.9**	37.3
Joint ventures	**6.5**	3.5
Tax loss carryforwards and tax credits	**54.9**	12.9
Share-based payments	**11.5**	5.8
Other	**3.9**	1.9
	152.0	124.1
(amounts recognised directly in equity)		
Defined benefit plans	**4.4**	0.4
Share-based payments	**10.0**	-
	14.4	0.4
Movements		
Balance at 1 July	**124.5**	99.9
Charged to income statement	**30.8**	24.1
Adjustments for prior years	**1.5**	(1.0)
Charged directly to equity and other comprehensive income	**14.0**	(0.6)
Foreign exchange differences	**(4.4)**	2.1
Balance at 30 June	**166.4**	124.5
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
(amounts recognised in profit or loss)		
Intangible assets	**1.8**	1.8
Property, plant and equipment	**66.6**	80.5
Inventory and consumables	**2.2**	2.1
Joint ventures	**3.9**	2.7
Employee benefits	**0.9**	-
Other	**0.4**	2.5
	75.8	89.6
(amounts recognised directly in equity)		
Cash flow hedges	**0.5**	0.1
Exchange gain on foreign denominated intercompany loans	**8.2**	13.5
	8.7	13.6
Movements		
Balance at 1 July	**103.2**	96.4
Charged to income statement	**(16.4)**	3.9
Charged directly to equity and other comprehensive income	**(4.9)**	6.1
Adjustments for prior years	**1.4**	(3.8)
Foreign exchange differences	**1.2**	0.6
Balance at 30 June	**84.5**	103.2

12 – Income taxes (continued)

Recognition and measurement

Current tax

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

Deferred tax

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

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

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

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

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

As of each reporting date, management considers new evidence, both positive and negative, that could affect its view of the future realisation of deferred tax assets. Following a significant improvement in trading conditions for certain of the Group's subsidiaries, the Group determined that it was now probable that taxable profits would be available against which previously unrecognised tax attributes or losses can be utilised. However, the Group also determined for another one of its subsidiaries that it was not probable that future taxable profits would be available to realise the recognised deferred tax asset. The result of both of these events was that a net deferred tax asset of A$65.6 million was recognised at the beginning of the year ended 30 June 2017.

At 30 June 2017, the Group has not recognised deferred tax assets totaling A$29.3 million (2016: A$99.5 million) as it is not probable that they will be realised. A portion of the unrecognised deferred tax asset relates to unused tax losses of A$12.3 million (2016: A$79.7 million) due to either a history of tax losses or it is not considered probable that there will be sufficient future taxable profits to realise the benefit of deferred tax assets within certain subsidiary entities. Unrecognised tax losses include A$11.6 million (2016: A$39.5 million) of tax losses that will expire in 5 to 20 years. Other unused tax losses may be carried forward indefinitely.

12 – Income taxes (continued)

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

13 – Trade and other payables

	2017 A$m	2016 A$m
Current:		
Trade payables	**268.2**	259.5
Other payables	**199.3**	137.4
Deferred income	**47.4**	36.0
	514.9	432.9
Non-current:		
Other payables	**8.5**	8.8

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

14 – Provisions

	2017 A$m	2016 A$m
Employee benefits	**44.1**	41.9
Self-insured risks	**18.5**	22.6
Onerous lease provisions	**34.6**	47.2
Legal provisions	**18.0**	18.2
Property "make-good"	**20.2**	23.4
Other	**2.4**	1.6
	137.8	154.9
Current	**56.4**	69.2
Non-current	**81.4**	85.7
	137.8	154.9

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

	Self-insurance risks A$m	**Onerous Leases A$m**	**Legal A$m**	**Property "make-good" A$m**	**Other A$m**
Balance at 1 July	**22.6**	**47.2**	**18.2**	**23.4**	**1.6**
Provisions recognised/(reversed)	**(3.3)**	**(4.3)**	**1.2**	**0.3**	**0.9**
Payments	**-**	**(5.7)**	**(0.9)**	**(2.8)**	**(0.1)**
Foreign exchange differences	**(0.8)**	**(2.6)**	**(0.5)**	**(0.7)**	**-**
Balance at 30 June	**18.5**	**34.6**	**18.0**	**20.2**	**2.4**

14 – Provisions (continued)

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

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

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

Onerous leases
Onerous lease provisions comprise obligations for future rents payable net of rents receivable on onerous leases. Provisions for onerous leases are recognised when the Group believes that the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

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

The Group is subject to comprehensive environmental requirements relating to, among others, the acceptance, storage, treatment, handling and disposal of solid waste and hazardous waste; the discharge of materials and storm water into the environment; the management and treatment of wastewater and storm water; and the remediation of soil and groundwater contamination. As a consequence, the Group has incurred and will continue to incur environmental costs and liabilities associated with site and facility operation, closure, remediation, monitoring and licensing. Provisions have been made in respect of estimated environmental liabilities where obligations are known to exist and can be reasonably measured. However, additional liabilities may emerge due to a number of factors, including changes in environmental laws and regulations in each of the jurisdictions in which the Group operates or has operated. The Group cannot predict the extent to which it may be impacted in the future by any such changes in legislation or regulation.

Legal claims
Various Group companies are parties to legal actions and claims that arise in the ordinary course of their business. While the outcome of such legal proceedings cannot be readily foreseen, the Group believes that they will be resolved without material effect on its financial statements. Provision has been made for known obligations where the existence of the liability is probable and can be reasonably estimated.

15 – Retirement benefit obligations

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

15 – Retirement benefit obligations (continued)

Defined contribution plans
Defined contribution plans offer employees individual funds that are converted into benefits at the time of retirement. The defined contribution plans receive fixed contributions from Group companies with the Group's legal obligation limited to these contributions. The Group made contributions of A$10.3 million in the year ended 30 June 2017 (2016: A$9.7 million).

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

In April 2016, the Group closed its UK defined benefit plan with respect to future accruals of benefits. A curtailment gain of A$1.2 million was recognised during the year ended 30 June 2016.

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

	2017 A$m	2016 A$m
Fair value of defined benefit plan assets	**90.3**	88.6
Present value of accumulated defined benefit obligations	**(89.6)**	(92.4)
Net amount	**0.7**	(3.8)
Net amount comprised of:		
Retirement benefit assets	**4.7**	4.5
Retirement benefit obligations	**(4.0)**	(8.3)
Net defined benefit asset/(liability)	**0.7**	(3.8)

The movements in the net defined benefit balance during the year are outlined below:

	2017 A$m	2016 A$m
Balance at the beginning of the financial year	**(3.8)**	(3.5)
Actuarial gains/(losses) recorded in comprehensive income	**2.4**	(2.9)
Current service cost	**(0.8)**	(1.1)
Past service cost including gain on curtailment	**-**	1.2
Net interest cost	**(0.2)**	(0.2)
Employer contributions	**2.9**	2.9
Foreign exchange differences	**0.2**	(0.2)
Balance at the end of the financial year	**0.7**	(3.8)

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

	2017	2016
Discount rate	**3.0%**	3.5%
Rate of increase in salaries	**3.2%**	3.2%
Rate of increase in Retail Price Index (UK defined benefit plan only)	**3.2%**	3.0%

The Group expects to make contributions of A$2.8 million to the defined benefit plans during the next financial year.

15 – Retirement benefit obligations (continued)

Defined benefit plans (continued)
The major categories of plan assets are as follows:

	2017 A$m	2016 A$m
Cash	**10.6**	3.4
Equity investments	**54.7**	58.8
Debt instruments	**23.8**	25.0
Property and other assets	**1.2**	1.4
Total plan assets	**90.3**	88.6

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

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

16 – Other financial assets and liabilities

	2017 A$m	2016 A$m
Other financial assets – Current:		
Investments in marketable securities	**9.5**	8.9
Loans to third parties carried at amortised cost	**0.6**	0.8
Derivative financial instruments:		
Forward foreign exchange contracts	**3.5**	1.7
Forward commodity contracts	**-**	0.2
	13.6	11.6
Other financial assets – Non-current:		
Other receivables	**10.9**	16.1
	10.9	16.1
Other financial liabilities – Current:		
Derivative financial instruments:		
Forward foreign exchange contracts	**-**	7.1
Forward commodity contracts	**2.5**	5.7
	2.5	12.8

Recognition and measurement
Derivative financial instruments
Refer to Note 21.

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

CAPITAL STRUCTURE AND RISK MANAGEMENT

17 – Cash and cash equivalents

	2017 A$m	2016 A$m
Cash at bank and on hand	**378.5**	248.3
Cash and cash equivalents	**378.5**	248.3

Reconciliation of profit/(loss) for the year to net cash inflows from operating activities

	2017 A$m	2016 A$m
Profit/(loss) for the year	**203.6**	(216.5)
Adjustments for non-cash items:		
Depreciation and amortisation	**112.3**	126.4
Non-cash interest expense	**1.5**	2.9
Unrealised (gain)/loss on held for trading derivatives	**(10.0)**	16.7
Impairment of goodwill and other intangibles	**-**	53.0
(Reversal of impairment)/impairment of property, plant and equipment	**(1.0)**	31.8
Impairment of investments in joint ventures	**-**	119.1
Net gain on disposal of property, plant and equipment	**(27.7)**	(3.6)
Gain on sale of subsidiaries	**(3.8)**	-
Non-cash share-based payments expense	**19.9**	9.2
Non-cash retirement benefit expense	**1.0**	0.1
Non-cash grant income	**(0.4)**	-
Equity accounted results net of dividends received	**(19.1)**	0.2
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(43.4)**	0.8
(Increase)/decrease in inventories	**(18.8)**	78.8
Decrease/(increase) in prepayments	**6.1**	(12.8)
(Decrease)/increase in provisions	**(12.3)**	42.4
Increase/(decrease) in income taxes	**6.6**	(1.1)
Decrease in deferred taxes	**(42.2)**	(24.9)
Increase/(decrease) in trade and other payables	**94.1**	(91.2)
Net cash inflows from operating activities	**266.4**	131.3

Non-cash investing and financing activities
Equipment totaling nil was acquired through finance leases in the year ended 30 June 2017 (2016: A$6.3 million). Proceeds from options exercised of A$1.3 million were recorded as a receivable as of 30 June 2017. The cash was received in July 2017.

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

18 - Borrowings

Borrowings outstanding at the balance date primarily represent finance leases.

The Group has access to unsecured global multi-currency/multi-option loan facilities, all of which are subject to common terms. In December 2015, the Group renewed its loan facilities, which among other things, extended the maturity date through 31 October 2019 and amended certain loan covenants. The Group had access to the following credit standby arrangements at the balance date. The amount of credit available is subject to limits from loan covenants as specified in the loan facilities.

	2017	2016
	A$m	A$m
Unsecured global multi-currency/multi-option loan facilities	**1,267.0**	1,281.2
Amount of credit unused	**1,241.2**	1,251.8

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

Recognition and measurement
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as prepayments and amortised to finance costs on a straight-line basis over the term of the loan facility.

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

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

19 – Contributed equity

	2017		2016	
	Number of shares	**A$m**	Number of shares	A$m
On issue per share register at the beginning of the period	**197,685,163**	**2,737.3**	204,864,886	2,797.4
Share buy-back	**(1,420,727)**	**(13.4)**	(7,945,261)	(60.3)
Issued under long-term incentive plans	**1,891,964**	**9.9**	765,538	0.2
On issue per share register at the end of the period	**198,156,400**	**2,733.8**	197,685,163	2,737.3

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

19 – Contributed equity (continued)

Share buy-back

On 18 November 2015, the Company announced an on-market share buy-back which commenced on 7 December 2015. The buy-back was open for a 12-month period with a maximum number of shares that could have been purchased of approximately 20.5 million. Under this buy-back, 9,340,988 ordinary shares were acquired for total consideration of A$73.4 million, or an average price of A$7.86.

On 2 December 2016, the Company renewed the share buy-back program for 12 months with a maximum number of shares that can be purchased of approximately 19.7 million. Under this buy-back, the Company has purchased 25,000 ordinary shares for total consideration of A$0.3 million, or an average price of A$13.14.

Recognition and measurement

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

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

20 – Reserves and accumulated deficit

Reserves

	Share-based payments A$m	Cash flow hedging A$m	Foreign currency translation A$m	Total A$m
Balance at 1 July 2015	136.7	(0.6)	(114.1)	22.0
Equity-settled share-based payment expense	9.3	-	-	9.3
Revaluation – gross	-	0.1	-	0.1
Transfer to profit or loss – gross	-	0.9	-	0.9
Foreign currency translation differences	-	-	42.5	42.5
Deferred tax	-	(0.3)	(6.2)	(6.5)
Balance at 30 June 2016	146.0	0.1	(77.8)	68.3
Equity-settled share-based payment expense	**19.9**	**-**	**-**	**19.9**
Revaluation – gross	**-**	**1.4**	**-**	**1.4**
Transfer to profit or loss – gross	**-**	**(0.1)**	**-**	**(0.1)**
Foreign currency translation differences	**-**	**-**	**(44.3)**	**(44.3)**
Deferred tax	**10.0**	**(0.4)**	**5.3**	**14.9**
Balance at 30 June 2017	**175.9**	**1.0**	**(116.8)**	**60.1**

20 – Reserves and accumulated deficit (continued)

Nature and purpose of reserves

Share-based payments reserve

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

Available-for-sale investments reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities classified as available-for-sale investments, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

Cash flow hedging reserve

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

Foreign currency translation reserve

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

Accumulated deficit

	2017 A$m	2016 A$m
Balance at 1 July	**(973.1)**	(706.6)
Profit/(loss) after tax	**203.6**	(216.5)
Dividends paid	**(63.2)**	(46.8)
Actuarial gain/(loss) on defined benefit plans, net of tax	**6.4**	(3.2)
Balance at 30 June	**(826.3)**	(973.1)

21 – Financial risk management

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

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

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

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

Capital risk management

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

The Group monitors its capital structure primarily using the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity as shown in the statement of financial position plus net debt. As at 30 June 2017, the Group had a net cash position of A$373.0 million (2016: A$242.1 million).

21 – Financial risk management (continued)

Market risk

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

(i) Foreign exchange risk

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

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

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

	Net financial assets/(liabilities)	
	2017	2016
Currency:	**A$m**	A$m
US dollar	**31.9**	27.8
Euro	**13.1**	5.5
British pounds sterling	**(0.3)**	0.7

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

	Impact on post-tax profit – (lower)/higher	
	2017	2016
	A$m	A$m
US dollar	**(4.2)**	(8.8)
Euro	**0.6**	(0.9)
British pounds sterling	**-**	-

	Impact on equity – higher	
	2017	2016
	A$m	A$m
US dollar	**32.5**	34.6

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

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

(ii) Commodity price risk

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

The Group uses forward commodity contracts matched to purchases or sales of non-ferrous metals (primarily copper, nickel and aluminum) and certain precious metals (primarily gold, silver and palladium) where viable forward commodity contracts are available to minimise price risk exposure.

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

A 10% appreciation in commodity prices on outstanding forward commodity contracts, with all other variables held constant, would result in lower net profit of A$11.7 million (2016: A$11.0 million). A 10% depreciation of the stated commodity prices would have an equal and opposite effect.

21 – Financial risk management (continued)

Market risk (continued)

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

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

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

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

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

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

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

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

21 – Financial risk management (continued)

Liquidity risk (continued)

	Less than 1 year A$m	Between 1 and 2 years A$m	Between 2 and 5 years A$m	Over 5 years A$m	Total A$m
2017					
Non-derivatives:					
Trade and other payables	**514.9**	**4.1**	**1.0**	**3.4**	**523.4**
Borrowings	**2.1**	**1.6**	**1.8**	**-**	**5.5**
Derivatives:					
Net settled (forward commodity contracts)	**2.5**	**-**	**-**	**-**	**2.5**
Gross settled (forward foreign exchange contracts):					
- (inflows)	**-**	**-**	**-**	**-**	**-**
- outflows	**-**	**-**	**-**	**-**	**-**
	519.5	**5.7**	**2.8**	**3.4**	**531.4**
Interest on financial commitments	**8.7**	**8.7**	**2.9**	**-**	**20.3**
Financial guarantees[1]	**34.7**	**-**	**-**	**-**	**34.7**
	562.9	**14.4**	**5.7**	**3.4**	**586.4**
2016					
Non-derivatives:					
Trade and other payables	432.9	1.8	2.4	4.6	441.7
Borrowings	2.1	2.2	1.9	-	6.2
Derivatives:					
Net settled (forward commodity contracts)	5.7	-	-	-	5.7
Gross settled (forward foreign exchange contracts):					
- (inflows)	(179.0)	-	-	-	(179.0)
- outflows	186.1	-	-	-	186.1
	447.8	4.0	4.3	4.6	460.7
Interest on financial commitments	8.8	8.8	10.9	-	28.5
Financial guarantees[1]	42.2	-	-	-	42.2
	498.8	12.8	15.2	4.6	531.4

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

Fair value

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

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

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

There were no transfers between levels during the year.

21 – Financial risk management (continued)

Fair value (continued)

Valuation of financial assets and liabilities

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

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

Recognition and measurement

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Certain derivative instruments do not qualify for hedge accounting, despite being valid economic hedges of the relevant risks. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

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

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

GROUP STRUCTURE

22 – Business disposals

During the year ended 30 June 2017, the Group sold businesses, some of which were previously included in assets classified as held for sale. The net book value of the assets of these businesses sold was A$19.4 million, resulting in a net gain on the sale of A$3.8 million. The gain on the sale was calculated as follows:

	A$m
Cash consideration related to assets previously classified as held for sale	**18.5**
Cash consideration for other assets sold	**5.1**
Deferred consideration	**0.2**
Total consideration received	**23.8**
Transaction costs associated with disposals	**(0.6)**
Net consideration received	**23.2**
Net carrying value of disposed assets	**(19.4)**
Gain on sale	**3.8**

23 – Subsidiaries

Name of entity	Country of Incorporation	Equity holding % 2017	2016
Sims Metal Management Limited (i)	Australia		
Electronic Product Stewardship Australasia Pty Limited	Australia	**90%**	90%
Sims Aluminium Pty Limited (i)	Australia	**100%**	100%
Sims E-Recycling Pty Limited	Australia	**90%**	90%
Sims Group Australia Holdings Limited (i)	Australia	**100%**	100%
Sims Group Holdings 1 Pty Ltd	Australia	**100%**	100%
Sims Group Holdings 2 Pty Ltd	Australia	**100%**	100%
Sims Group Holdings 3 Pty Limited	Australia	**100%**	100%
Sims Industrial Pty Limited	Australia	**100%**	100%
Simsmetal Holdings Pty Limited	Australia	**100%**	100%
Simsmetal Properties NSW Pty Limited	Australia	**100%**	100%
Simsmetal Properties Qld Pty Limited	Australia	**100%**	100%
Simsmetal Services Pty Limited (i)	Australia	**100%**	100%
Universal Inspection and Testing Company Pty Limited	Australia	**100%**	100%
Sims metrade GmbH	Austria	**100%**	100%
Sims Recycling Solutions Austrian Holding GmbH	Austria	**100%**	100%
Sims Recycling Solutions Austrian Intermediate Holdings GmbH	Austria	**100%**	100%
Sims Recycling Solutions NV	Belgium	**100%**	100%
Sims Group Canada Holdings Limited	Canada	**100%**	100%
Sims Group Recycling Solutions Canada Ltd	Canada	**100%**	100%
Sims Recycling Solutions s.r.o.	Czech Republic	**100%**	100%
Sims Recycling Solutions FZE	Dubai	**100%**	100%
Sims Group German Holdings GmbH	Germany	**100%**	100%
Sims Lifecycle Services GmbH	Germany	**100%**	100%
Sims M+R GmbH	Germany	**100%**	100%
Sims Metal Management Asia Limited	Hong Kong	**100%**	100%
Sims Metal Management China Holdings Limited	Hong Kong	**100%**	100%
Sims Metal Management Dragon Holdings Limited (ii)	Hong Kong	**0%**	100%
Sims Recycling Solutions India Private Limited	India	**100%**	100%
Trishyiraya Recycling India Private Limited	India	**100%**	100%
Sims Recycling Solutions Ireland Limited	Ireland	**100%**	100%
Mirec BV	Netherlands	**100%**	100%

23 – Subsidiaries (continued)

Name of entity	Country of Incorporation	Equity holding % 2017	Equity holding % 2016
Sims Lifecycle Services BV	Netherlands	**100%**	100%
Sims Recycling Solutions Coöperatief B.A.	Netherlands	**100%**	100%
Sims E - Recycling (NZ) Limited	New Zealand	**90%**	90%
Simsmetal Industries Limited	New Zealand	**100%**	100%
Sims Recycling Solutions AS	Norway	**100%**	100%
Gaukara Company No. 2 Limited	Papua New Guinea	**100%**	100%
PNG Recycling Limited	Papua New Guinea	**100%**	100%
Sims Recycling Solutions Sp. z.o.o.	Poland	**100%**	100%
Sims Recycling Solutions Africa Pty Ltd	Republic of South Africa	**100%**	100%
Sims Recycling Solutions Pte. Ltd.	Singapore	**100%**	100%
Sims Recycling Solutions AB	Sweden	**100%**	100%
All Metal Recovery Limited (ii)	UK	**0%**	100%
All Metal Recovery Cradley Heath Limited (ii)	UK	**0%**	100%
C Herring & Son Limited (ii)	UK	**0%**	100%
Cooper Metal Recycling Ltd	UK	**100%**	100%
Deane Wood Export Limited	UK	**100%**	100%
Dunn Brothers (1995) Limited	UK	**100%**	100%
Sims FE Mottram Limited	UK	**100%**	100%
Sims Group UK Holdings Limited	UK	**100%**	100%
Sims Group UK Intermediate Holdings Limited	UK	**100%**	100%
Sims Group UK Limited	UK	**100%**	100%
Sims Group UK Pension Trustees Limited	UK	**100%**	100%
Sims Metal Management Finance Limited	UK	**100%**	0%
Sims Metal Management U.K. Limited (formerly Cheque Swap Limited)	UK	**100%**	100%
Sims Recycling Solutions Limited (formerly S3 Interactive Limited)	UK	**100%**	100%
United Castings Limited	UK	**100%**	100%
CIM Trucking, Inc.	US	**100%**	100%
Converge Engineering LLC (iii)	US	**100%**	0%
Dover Barge Company	US	**100%**	100%
Metal Dynamics Detroit LLC	US	**100%**	100%
Metal Management Indiana, Inc.	US	**100%**	100%
Metal Management Memphis, L.L.C.	US	**100%**	100%
Metal Management Midwest, Inc.	US	**100%**	100%
Metal Management Northeast, Inc.	US	**100%**	100%
Metal Management Ohio, Inc.	US	**100%**	100%
Metal Management Pittsburgh, Inc.	US	**100%**	100%
Metal Management, Inc.	US	**100%**	100%
Naporano Iron & Metal, Inc.	US	**100%**	100%
New York Recycling Ventures, Inc.	US	**100%**	100%
Port Albany Ventures, LLC	US	**100%**	100%
Proler Southwest Corporation	US	**100%**	100%
Schiabo Larovo Corporation	US	**100%**	100%
Sims Group Global Trade Corporation	US	**100%**	100%
Sims Group USA Corporation	US	**100%**	100%
Sims Group USA Holdings Corporation	US	**100%**	100%
Sims Metal Management USA GP	US	**100%**	100%
Sims Municipal Recycling of New York LLC	US	**100%**	100%

Notes to the Consolidated Financial Statements
For the year ended 30 June 2017

23 – Subsidiaries (continued)

Name of entity	Country of Incorporation	Equity holding % 2017	2016
Sims Recycling Solutions Holdings Inc.	US	**100%**	100%
Sims Recycling Solutions Inc.	US	**100%**	100%
Simsmetal East LLC	US	**100%**	100%
Simsmetal West LLC	US	**100%**	100%
SMM – North America Trade Corporation	US	**100%**	100%
SMM Gulf Coast LLC	US	**100%**	100%
SMM New England Corporation	US	**100%**	100%
SMM South Corporation	US	**100%**	100%
SMM Southeast LLC	US	**100%**	100%

(i) These subsidiaries and the Company are parties to a Deed of Cross Guarantee ("DCG") under which each entity guarantees the debts of the others. The above entities represent a Closed Group and an Extended Closed Group for the purposes of the relevant Australian Securities and Investments Commission Class Order.
(ii) These subsidiaries were disposed of or deregistered during the year.
(iii) These subsidiaries were incorporated during the year.

Deed of Cross Guarantee
Sims Metal Management Limited, Sims Group Australia Holdings Limited, Sims Aluminium Pty Limited and Simsmetal Services Pty Limited are parties to a DCG under which each company guarantees the debts of the others. By entering into the DCG, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly owned Companies) Instrument 2016/785, which was issued 28 September 2016.

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

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

(i) Condensed consolidated income statement

	2017 A$m	2016 A$m
Profit/(loss) before income tax[1]	**88.4**	(115.0)
Income tax expense	**(9.5)**	(12.4)
Profit/(loss) after tax	**78.9**	(127.4)

[1]2016 amount includes an after tax non-cash impairment charge of A$225.6 million against the parent entity's investment in subsidiaries which are not part of the Closed Group.

(ii) Consolidated statement of comprehensive income		
Profit/(loss) after tax	**78.9**	(127.4)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Changes in the fair value of derivatives held as cash flow hedges, net of tax	**0.9**	0.7
Items that will not be reclassified to profit or loss		
Actuarial (loss)/gain on defined benefit plans, net of tax	**(0.2)**	0.8
Other comprehensive income for the year, net of tax	**0.7**	1.5
Total comprehensive income/(loss) for the year	**79.6**	(125.9)

Notes to the Consolidated Financial Statements
For the year ended 30 June 2017

23 – Subsidiaries (continued)

Deed of Cross Guarantee (continued)

(iii) Summary of movements in consolidated accumulated deficit	**2017 A$m**	2016 A$m
Balance at 1 July	**(998.7)**	(825.3)
Profit/(loss) for the year	**78.9**	(127.4)
Actuarial (loss)/gain on defined benefit plans, net of tax	**(0.2)**	0.8
Dividends provided for or paid	**(63.2)**	(46.8)
Balance at 30 June	**(983.2)**	(998.7)

(iv) Consolidated statement of financial position

Current assets		
Cash and cash equivalents	**96.1**	39.7
Trade and other receivables	**121.8**	124.5
Inventory	**82.7**	75.6
Other financial assets	**1.6**	0.7
Assets held for sale	**6.7**	3.4
Total current assets	**308.9**	243.9
Non-current assets		
Investments in joint ventures	**47.3**	40.1
Other financial assets	**1,581.9**	1,582.7
Property, plant and equipment	**221.9**	234.5
Retirement benefit assets	**3.0**	3.6
Deferred tax assets	**22.2**	22.9
Intangible assets	**42.2**	42.6
Total non-current assets	**1,918.5**	1,926.4
Total assets	**2,227.4**	2,170.3
Current liabilities		
Trade and other payables	**243.1**	230.9
Borrowings	**0.6**	0.5
Other financial liabilities	**-**	0.8
Current tax liabilities	**11.6**	1.5
Provisions	**16.5**	16.6
Total current liabilities	**271.8**	250.3
Non-current liabilities		
Payables	**3.4**	3.3
Borrowings	**0.5**	1.1
Deferred tax liabilities	**17.8**	27.4
Provisions	**7.9**	5.0
Total non-current liabilities	**29.6**	36.8
Total liabilities	**301.4**	287.1
Net assets	**1,926.0**	1,883.2
Equity		
Contributed equity	**2,733.8**	2,737.3
Reserves	**175.4**	144.6
Accumulated deficit	**(983.2)**	(998.7)
Total equity	**1,926.0**	1,883.2

24 – Interests in other entities

Joint operations
The Group has a 50% interest in a joint operation called Sims Pacific Metals ("SPM") which is engaged in metal recycling in New Zealand. The Group's interest in SPM is included in the statement of financial position under the classifications shown below:

	2017 A$m	2016 A$m
Current assets	**20.1**	18.5
Non-current assets	**11.1**	8.6
Total assets	**31.2**	27.1
Current liabilities	**25.6**	24.9
Non-current liabilities	**0.1**	0.1
Total liabilities	**25.7**	25.0
Net assets	**5.5**	2.1

Recognition and measurement
The partners in the joint operation own the assets as tenants in common and are jointly and severally liable for the liabilities incurred by the joint operation. SPM is therefore classified as a joint operation and the Group recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

Joint ventures

Name	**Principal Activity**	**Country of incorporation**	**Ownership interest %**	
			2017	2016
SA Recycling LLC	Recycling	US	**50**	50
LMS Energy Pty Ltd ("LMS")	Renewable energy	Australia	**50**	50
Sims Pacific Metals Limited	Recycling	New Zealand	**50**	50
Richmond Steel Recycling Limited	Recycling	Canada	**50**	50
Rondout Iron & Metal Company LLC	Recycling	US	**50**	50
Simstar Alloys Pty Limited	Recycling	Australia	**50**	50

Movements in carrying amounts of joint ventures

	2017 A$m	2016 A$m
Balance at 1 July	**190.2**	299.4
Share of results	**37.8**	5.5
Accretion of deferred gain to equity accounted profit	**-**	1.3
Impairment of investment in joint ventures	**-**	(119.1)
Disposal of an associate	**-**	(0.1)
Dividends received	**(18.7)**	(7.0)
Foreign exchange differences	**(5.3)**	10.2
Balance at 30 June	**204.0**	190.2

24 – Interests in other entities (continued)

Summarised financial information of joint ventures

	2017 A$m	2016 A$m
Statement of financial position		
Current assets	**130.3**	103.1
Non-current assets	**225.8**	227.6
Current liabilities	**52.6**	42.1
Non-current liabilities	**84.9**	99.4
Income statement		
Revenue	**727.3**	523.2
Share of net profit for the year	**37.8**	5.5

Balances and transactions with joint ventures

	2017 A$m	2016 A$m
Sales of goods and services	**0.3**	0.0
Purchases of goods and services	**319.8**	309.6
Management and other fees and commissions	**1.0**	1.6
Current receivables	**2.1**	2.6
Current payables	**9.1**	6.8

Recognition and measurement

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

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

In June 2017, the Group reassessed the recoverable amount of its investment in SA Recycling. Based on SA Recycling's operating results, no impairment was identified. The significant assumptions used was a pre-tax discount rate of 13.6% and a growth rate of 1.8%. An assessment of the impact of possible changes in key assumptions was also performed. If the discount rate was 1% higher, with all other assumptions being the same, an impairment charge of A$21.2 million would have been recognised.

25 – Parent entity information

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

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

25 – Parent entity information (continued)

Summary financial information

	2017 A$m	2016 A$m
Statement of financial position:		
Current assets	**46.4**	24.7
Total assets	**2,245.8**	2,223.8
Current liabilities	**20.8**	5.2
Total liabilities	**23.7**	8.0
Shareholders' equity:		
Contributed equity	**4,054.5**	4,057.9
Reserves	**175.9**	146.0
Profits reserve	**52.9**	73.1
Accumulated deficit	**(2,061.2)**	(2,061.2)
Total equity	**2,222.1**	2,215.8

	2017 A$m	2016 A$m
Statement of comprehensive income:		
Profit/(loss) for the year[1]	**43.1**	(133.6)
Total comprehensive loss	**43.1**	(133.6)

[1]The parent entity's loss for 2016 included an after-tax non-cash impairment charge of A$225.6 million against the parent entity's investment in subsidiaries. In accordance with AASB 136, the parent entity's investment in subsidiary balance was compared to the higher of its value in use or fair market value less costs to sell, and the comparison identified an impairment in the carrying value of the parent entity's investment in subsidiaries. This non-cash charge is reversed on consolidation and does not impact the consolidated financial statements of the Group.

Guarantees entered into by the parent entity

The Company has not provided financial guarantees for which a liability has been recognised in the Company's statement of financial position. The Company has given guarantees in respect of the performance of contracts entered into in the ordinary course of business. The amount of these guarantees provided by the Company as at 30 June 2017 was A$31.5 million (2016: A$38.4 million).

The Company has provided a guarantee for its proportional share of a lease obligation of a joint venture of the Group. The Company's proportional amount of the lease obligation remaining as at 30 June 2017 was A$6.3 million (2016: A$9.3 million).

The Company is party to a number of financing facilities and a DCG under which it guarantees the debts of a number of its subsidiaries.

Lease commitments

	2017 A$m	2016 A$m
Not later than one year	**2.6**	2.7
Later than one year, but not later than five years	**10.9**	11.0
Later than five years	**38.2**	42.4
Total lease commitments not recognised as liabilities	**51.7**	56.1

Notes to the Consolidated Financial Statements
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OTHER DISCLOSURES

26 – Share-based payments

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

Historically, the Company issued share-based awards to US-based employees that were settled in American Depositary Shares ("ADSs"). However, beginning in November 2013, all new share-based awards are settled in ordinary shares.

Share-based payment expense

	2017 A$m	2016 A$m
Equity-settled share-based payments expense	**19.9**	9.3
Cash-settled share-based payments expense/(income)	**3.3**	(0.4)
	23.2	8.9

Equity-settled options

Equity-settled options outstanding	**Number of options 2017**	**Weighted average exercise price 2017**	**Number of options 2016**	**Weighted average exercise price 2016**
Ordinary shares:				
Balance at 1 July	**5,453,999**	**A$10.57**	3,562,923	A$12.45
Granted	**2,825,535**	**A$10.51**	2,349,633	A$9.38
Forfeited/expired	**(263,512)**	**A$19.37**	(438,521)	A$19.55
Exercised	**(755,315)**	**A$10.02**	(20,036)	A$9.60
Balance at 30 June	**7,260,707**	**A$10.28**	5,453,999	A$10.57
Exercisable at 30 June	**2,538,700**	**A$10.47**	1,884,736	A$12.01
ADSs:				
Balance at 1 July	**4,642,547**	**US$13.44**	5,473,384	US$14.18
Forfeited/expired	**(692,993)**	**US$20.35**	(830,837)	US$18.34
Exercised	**(189,756)**	**US$9.49**	-	-
Balance at 30 June	**3,759,798**	**US$12.37**	4,642,547	US$13.44
Exercisable at 30 June	**3,759,798**	**US$12.37**	4,642,547	US$13.44

For equity-settled options exercised during the year ended 30 June 2017, the weighted average share price at the date of exercise was A$13.01 for ordinary shares and US$9.76 for ADSs (2016: A$10.03 for ordinary shares and nil for ADSs).

26 – Share-based payments (continued)

Information about outstanding and exercisable equity-settled options as at 30 June 2017 is as follows:

			Outstanding			Exercisable
Exercise price range	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)
Ordinary shares:						
A\$9.00–A\$9.38	2,257,438	A\$9.38	5.21	748,331	A\$9.37	4.88
A\$9.39–A\$10.51	3,637,723	A\$10.39	5.67	851,157	A\$9.98	3.38
A\$10.52–A\$25.22	1,365,546	A\$11.51	3.82	939,212	A\$11.81	3.57
	7,260,707	**A\$10.28**	**5.18**	**2,538,700**	**A\$10.47**	**3.89**
ADSs:						
US\$9.00–US\$9.49	1,757,906	US\$9.49	2.37	1,757,906	US\$9.49	2.37
US\$9.50–US\$13.37	1,159,730	US\$13.37	1.35	1,159,730	US\$13.37	1.35
US\$13.38–US\$20.43	842,162	US\$16.99	0.41	842,162	US\$16.99	0.41
	3,759,798	**US\$12.37**	**1.62**	**3,759,798**	**US\$12.37**	**1.62**

Cash-settled options

Cash-settled options outstanding	**Number of options 2017**	**Weighted average exercise price 2017**	**Number of options 2016**	**Weighted average exercise price 2016**
Balance at 1 July	**1,321,718**	**A\$11.95**	1,321,718	A\$11.95
Exercised	**(182,876)**	**A\$9.80**	-	-
Balance at 30 June	**1,138,842**	**A\$12.29**	1,321,718	A\$11.95
Exercisable at 30 June	**1,030,946**	**A\$12.44**	984,408	A\$12.43

Performance rights

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

26 – Share-based payments (continued)

Performance rights outstanding	Number of shares 2017	Weighted average fair value at grant date 2017	Number of shares 2016[1]	Weighted average fair value at grant date 2016
Ordinary shares:				
Non-vested balance at 1 July	**4,129,954**	**A$6.21**	2,698,180	A$7.32
Granted	**2,314,875**	**A$10.10**	1,685,723	A$3.39
Forfeited/cancelled	**(1,244,087)**	**A$6.33**	(179,348)	A$9.03
Vested	**(152,135)**	**A$5.84**	(74,601)	A$10.42
Non-vested balance at 30 June	**5,048,607**	**A$7.98**	4,129,954	A$6.21
ADSs:				
Balance at 1 July	**805,323**	**US$4.74**	2,403,760	US$6.25
Forfeited/cancelled	**(53,227)**	**US$7.47**	(1,149,874)	US$6.68
Vested	**(439,631)**	**US$4.74**	(448,563)	US$8.24
Non-vested balance at 30 June	**312,465**	**US$4.27**	805,323	US$4.74

[1]Prior year granted rights have been restated to reflect the maximum number of shares that could be received.

In the year ended 30 June 2017, 1,206,861 share rights (2016: 546,422) were forfeited as the performance conditions were not satisfied.

Restricted share units

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

Restricted share units outstanding	Number of shares 2017	Weighted average fair value at grant date 2017	Number of shares 2016	Weighted average fair value at grant date 2016
Ordinary shares:				
Non-vested balance at 1 July	**819,333**	**A$8.59**	589,649	A$9.87
Granted	**1,864,340**	**A$9.64**	411,677	A$6.95
Forfeited/cancelled	**(24,761)**	**A$9.82**	(51,841)	A$8.73
Vested	**(355,127)**	**A$9.16**	(130,152)	A$9.62
Non-vested balance at 30 June	**2,303,785**	**A$9.34**	819,333	A$8.59
ADSs:				
Balance at 1 July	**-**	**-**	92,186	US$8.34
Forfeited/cancelled	**-**	**-**	-	-
Vested	**-**	**-**	(92,186)	US$8.34
Non-vested balance at 30 June	**-**	**-**	-	-

26 – Share-based payments (continued)

Fair value

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

	Options		Performance rights	
	2017	2016	**2017**	2016
Risk-free interest rate	**2.2%**	2.6%	**1.7%**	2.1%
Dividend yield	**3.0%**	3.0%	**3.0%**	3.0%
Volatility	**36.0%**	33.0%	**36.0%**	33.0%
Expected life (years)	**4.0**	5.2	**n/a**	n/a
Share price at grant date	**A$12.38**	A$7.00	**A$12.38**	A$7.00

Recognition and measurement

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

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

The fair value of options and performance rights at grant date is independently determined using either a binomial model or a Monte-Carlo simulation model which takes into account any market related performance conditions. Non-market vesting conditions are not considered when determining fair value, but rather are included in the assumptions about the number of rights that are expected to vest. The fair value of restricted share units is determined based on the market price of the Company's shares on the date of grant and the Company's dividend yield.

27 – Key management personnel

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

	2017	2016
	A$	A$
Short-term benefits	**16,227,926**	8,516,755
Long-term benefits	**39,971**	36,992
Post-employment benefits	**439,491**	340,964
Share-based payments	**9,210,905**	3,431,800
	25,918,293	12,326,511

Transactions entered into with any directors or other key management personnel of the Group, including their personally related parties, are at normal commercial terms. Mr Sato serves as the representative director for Mitsui & Co. Up until November 2016, his respective director remuneration was paid directly to Mitsui & Co. During the year ended 30 June 2017, the Group paid A$73,141 to Mitsui & Co. for director remuneration (2016: A$219,424).

28 – Commitments and contingencies

Commitments

	2017 A$m	2016 A$m
Operating leases		
Not later than one year	**78.5**	80.8
Later than one year, but not later than five years	**162.0**	177.5
Later than five years	**111.8**	128.1
Total	**352.3**	386.4
Capital expenditures		
Payable within one year	**44.4**	41.8

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

Guarantees
The Group has given guarantees in respect of the performance of contracts entered into in the ordinary course of business. The amounts of these guarantees provided by the Group, for which no amounts are recognised in the consolidated financial statements, as at 30 June 2017 was A$34.7 million (2016: A$42.2 million).

29 – Remuneration of auditors

	2017 A$'000	2016 A$'000
Deloitte Touche Tohmatsu Australia:		
Audit and review of financial statements	**1,777**	1,583
Taxation services	**31**	48
Other assurance related services	**80**	104
	1,888	1,735
Network firms of Deloitte Touche Tohmatsu Australia:		
Audit and review of financial statements	**1,634**	1,988
Taxation services	**297**	451
Other assurance related services	**83**	200
	2,014	2,639
Total remuneration for Deloitte Touche Tohmatsu	**3,902**	4,374

30 – New accounting standards not yet applicable

AASB 9 Financial Instruments
AASB 9 introduces new requirements for the classification, measurement and derecognition of financial assets and financial liabilities and sets out new hedge accounting requirements. An initial assessment has been conducted and the standard is not expected to materially impact the financial statements. The Group will continue to assess the impact of the standard to ensure readiness for the implementation of the new standard in advance of its effective date. AASB 9 is effective for the Group on 1 July 2018.

AASB 15 Revenue from Contracts with Customers
AASB 15 establishes a new, single revenue accounting model which replaces existing revenue recognition guidance. The concept of transfer of risks and rewards is replaced with the notion that revenue is recognised when a customer obtains control of a good or service, that is, when the customer has the ability to direct the use of and obtain the benefits from the good or service. Additionally, the standard introduces requirements regarding variable consideration, allocation of transaction price based on relative standalone selling price and the time value of money with respect to longer-term contracts. An initial assessment has been conducted and the key areas of focus have been identified. The Group will continue to assess the impact of the standard to ensure readiness for the implementation of the new standard in advance of its effective date. AASB 15 is effective for the Group on 1 July 2018.

30 – New accounting standards not yet applicable (continued)

AASB 16 Leases
AASB 16 will primarily affect the accounting treatment of leases by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The new standard is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Group is currently assessing its potential impact. Initial assessment activities have been undertaken on the Group's current leases, however the impact of the standard will depend on the leases in place on transition. Detailed review of contracts, financial reporting impacts and system requirements will continue. AASB 16 is effective for the Group on 1 July 2019.

IFRIC 23 Uncertainty over Income Tax Treatments
IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. This interpretation requires an entity to determine if uncertain tax positions are assessed separately or as a group and then assess whether it is probable that a tax authority would accept an uncertain treatment utilised in the Company's income tax filings. The Group has not yet performed a detailed assessment of this standard. However, this standard is not expected to be material to the Group. It is not practicable to provide a reasonable estimate of the financial effect until the Group completes the review. IFRIC 23 is effective for the Group on 1 July 2020.

31 – Assets held for sale

Assets held for sale at 30 June 2017 include excess property which the Group expects to sell within the next financial year.

In July 2017, the Group sold a parcel of property with a net book value of A$3.1 million that was classified as held for sale at 30 June 2017. The gain on sale was not significant to the Group.

32 – Subsequent events

On 3 August 2017, the Company provided Managing Director and Group Chief Executive Officer Galdino Claro and Group Chief Financial Officer Fred Knechtel three months' notice in accordance with their Executive Employment Agreements (the Agreements).

The Agreements require the execution of an Irrevocable Release prior to the payment of any termination benefits. The termination benefits payable under the Agreements which, where relevant, have been approved by shareholders are:

- A severance payment equal to the Executive's final year's total fixed remuneration which includes a 12 month non-compete and non-hiring clause.
- STI as determined after the close of the 2018 financial year prorated to the Termination Date payable at such time as other eligible participants under the STI plan are paid their entitlements, unless the Board determines otherwise acting reasonably having regard to the performance of the Executive over the preceding years.
- Equity awards will continue to vest in accordance with the terms and conditions of their grant (as may be amended from time to time) as if the Executive were still employed and having regard to any performance hurdles, where applicable, based on the actual performance results of the Company, unless the Board determines otherwise acting reasonably having regard to the performance of the Executive over the preceding years.
- Continued health cover for 12 months from termination under the Company's group health insurance plan pursuant to the federal health care continuation law commonly known as COBRA.

32 – Subsequent events (continued)

The Company estimates that these four items for both executives would result in expense of approximately A$6 million. Potential additional expense may be recognised related to a portion of their LTI awards for which the expense will be based on the number of shares issued if financial hurdles are achieved and for any pro-rated payments due to them under the STI plan for the year ended 30 June 2018. These amounts cannot be reliably estimated at this time. Please refer to the Remuneration Report for further details on the Company’s STI and LTI plans.

On 3 August 2017, the Company appointed Alistair Field as Managing Director and Group Chief Executive Officer and Amit Patel as acting Group Chief Financial Officer.

Sims Metal Management Limited
Directors' Declaration

In the directors' opinion:

a) The financial statements and notes set out on pages 39 to 84 are in accordance with the *Corporations Act 2001*, including:

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

   ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date, and

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

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

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

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

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

G N Brunsdon	A Field
Chairperson	Managing Director and Group CEO
Sydney	New York
25 August 2017	24 August 2017

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Independent Auditor's Report to the Members of Sims Metal Management Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sims Metal Management Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

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

Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying Value and Existence of Inventories At 30 June 2017, as disclosed in Note 9, the Group’s Consolidated Statement of Financial Position includes inventories of A$402.7 million, which primarily consists of ferrous and non-ferrous scrap metals. Inventories are stated at the lower of cost and net realisable value. Cost is determined by either the first-in-first-out method or the weighted average method and comprises direct purchase costs, direct labour and an appropriate portion of fixed and variable overhead costs. The nature of ferrous and non-ferrous inventories means significant judgement is required when determining the net realisable value which considers current assessments of future demand and market conditions. Significant judgement is also required to estimate the ferrous quantities on hand. As disclosed in Note 9 ‘Inventories: Critical accounting estimate and judgement’ the quantity of inventory on hand is determined using various estimation techniques including observation and weighing.	Our procedures included, amongst others: · Evaluating management’s processes for determining valuation, net realisable value and existence of inventories, including obtaining an understanding of controls management has in place; · Testing the existence of inventories by attending inventory counts conducted by management at material locations at or around year end and observing and challenging management’s process to determine the quantities on hand; · Evaluating the appropriateness of the allocation of costs in the determination of the weighted average cost of inventories; · Challenging the recoverability of ferrous and non-ferrous inventories through the recalculation, on a sample basis, of projected net realisable values based on current and forecast commodity prices; and · Evaluating the adequacy of disclosures in the financial report.
Revenue Recognition of Ferrous Secondary Recycling Revenue recognition for the sale of goods is determined with reference to the product sold and the point at which risks and rewards are considered to be transferred as disclosed in Note 3 ‘Revenue and other income’. Individual ferrous secondary recycling bulk cargo sales are often individually material and as disclosed in Note 2 is the product which generates the majority of revenue for the Company. Whilst the majority of ferrous secondary recycling bulk cargo sales arrangements specify that title passes once all material has been loaded onto a vessel, for some ferrous secondary recycling bulk cargo sales, revenue recognition varies depending	Our procedures included, amongst others: · Evaluating management’s processes and controls in respect of the recognition of revenue of ferrous secondary recycling; · On a sample basis, we agreed shipments occurring near to and after 30 June 2017 to supporting documentation. We assessed if revenue was appropriately recognised with reference to the following: o the shipping terms contracted for the transaction; o the resulting point in time that risks and rewards are considered to be transferred; and

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
on the shipping terms used. Judgement is required to determine when risks and rewards have transferred under certain contractual arrangements and as a result the period revenue should be recognised resulting in revenue recognition of ferrous secondary recycling being considered to be a key audit matter.	o evaluating whether the recognition of revenue was in accordance with Group policy and accounting standards · Evaluating the adequacy of disclosures in the financial report.
Carrying Value of Goodwill, Other Intangible Assets and Property, Plant and Equipment At 30 June 2017 the Group has recognised goodwill amounting to A$110 million, contained within several cash generating units (CGUs). As disclosed in Note 11 'Intangible assets', management specifically identified a reasonable possible change in key assumptions in the valuations for the North America Metals CGU could result in a further impairment charge to goodwill, other intangible assets and property, plant and equipment. As at 30 June 2017, the North America Metals CGU holds A$1.5 million of goodwill and A$672.3 million of other intangible assets and property, plant and equipment. The assessment of the recoverable amount of the Group's goodwill, other intangible assets and property, plant and equipment balances involves the exercise of significant judgement. For the North America Metals CGU, significant judgement was required in determining the assumptions to be used in the value in use discounted cash flow model including the discount rate, inflation rate, growth rate, forecast commodity prices and capital expenditure.	In conjunction with valuation specialists, our procedures included, amongst others: · Understanding and evaluating management's process, including understanding the controls in respect of the preparation and review of forecasts; · Evaluating the discounted cash flow model developed by management to assess the recoverable value of the other intangible assets and property, plant and equipment in the North America Metals CGU. This included critically assessing the following key assumptions: o discount rate in comparison to an independently calculated discount rate; o inflation rate in comparison to external data; o forecast volumes and pricing, with reference to historical performance and external data; and o capital expenditure, with reference to historical spend and Board approved forecasts. · Testing, on a sample basis, the mathematical accuracy of the discounted cash flow model for the North America Metals CGU; · Agreeing forecast EBTIDA to the latest Board approved forecasts; · Assessing the historical accuracy of management's cash flow forecasts · Performing sensitivity analysis on a number of assumptions, in particular discount rates and forecast commodity prices, specifically for the North America Metals CGU; and · Evaluating the adequacy of disclosures in the financial report.

Other Information

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

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

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 37 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Sims Metal Management Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Don Pasquariello

Don Pasquariello
Partner
Chartered Accountants
Sydney, 25 August 2017