

Appendix 4D

Sims Limited
ABN 69 114 838 630
Half Year Report

Results for announcement to the market

Current period: Half year ended 31 December 2019

Prior corresponding period: Half year ended 31 December 2018

| Results (A\$m) | | | | Half year ended 31 December | |
|--|------|----------|----|--|--------------|
| | | | | 2019 | 2018 |
| Sales Revenue | Down | (18.7)% | to | 2,709.6 | from 3,334.1 |
| (Loss)/profit after tax attributable to members | Down | (219.1)% | to | (91.1) | from 76.5 |
| Net (loss)/profit for the period attributable to members ¹ | Down | (219.1)% | to | (91.1) | from 76.5 |
| ¹ Includes A\$27.6 million of goodwill and other intangible asset impairment charges during the half year ended 31 December 2019. | | | | | |

| Dividends (A¢) | Cents per Security | % Franked per Security |
|--|--------------------|------------------------|
| 2019 Final Dividend (paid 18 October 2019) | 19.0 | 100% |
| 2020 Interim Dividend ¹ | 6.0 | 100% |
| Record date for interim dividend | 10 March 2020 | |
| Payment date for interim dividend | 24 March 2020 | |
| ¹ The Board has determined that the dividend reinvestment plan will not operate in relation to this dividend. | | |

| Net tangible assets (A\$) | 31 December 2019 | 31 December 2018 |
|----------------------------------|-----------------------------|-----------------------------|
| Net tangible asset per security | 10.17 | 10.15 |

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

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

The accompanying half year financial report has been reviewed by Deloitte Touche Tohmatsu. A signed copy of their review report is included in the financial report.

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DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the “Group”) consisting of Sims Limited (the “Company”) and the entities it controlled at the end of, or during, the half year ended 31 December 2019 (“HY20”).

On 25 November 2019, the Australian Securities & Investments Commission approved the name change from Sims Metal Management Limited to Sims Limited. This change is reflected throughout this report.

PRINCIPAL ACTIVITIES

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

DIRECTORS

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

Name

Title

Managing Director:

Alistair Field

Managing Director and Group Chief Executive Officer

Non-Executive Directors:

Geoffrey N Brunson

Chairperson and Independent Non-Executive Director

John T DiLacqua¹

Independent Non-Executive Director

Mike Kane²

Independent Non-Executive Director

Hiroyuki Kato³

Non-independent Non-Executive Director

Georgia Nelson

Independent Non-Executive Director

Deborah O’Toole³

Independent Non-Executive Director

Heather Ridout

Independent Non-Executive Director

James T Thompson

Independent Non-Executive Director

¹ Mr DiLacqua retired from the Board of Directors on 31 August 2019.

² Mr Kane retired from the Board of Directors on 4 November 2019.

³ Ms O’Toole and Mr Kato were re-elected as Independent and Non-independent Non-Executive Directors, respectively, at the Company’s annual general meeting on 14 November 2019.

OPERATING AND FINANCIAL REVIEW

Disclosing Non-IFRS Financial Information (unaudited)

| (A\$m) | HY20 | HY19 | % Change |
|---|---------|---------|------------------|
| Sales revenue | 2,709.6 | 3,334.1 | (18.7) |
| Statutory earnings before interest, tax, depreciation and amortisation (“EBITDA”) | 30.5 | 173.1 | (82.4) |
| Underlying EBITDA | 74.9 | 173.8 | (56.9) |
| Depreciation expense | (95.7) | (59.6) | (60.6) |
| Amortisation expense | (2.4) | (4.6) | 47.8 |
| Statutory earnings before interest and tax (“EBIT”) | (95.2) | 108.9 | NMF ¹ |
| Underlying EBIT | (23.2) | 109.6 | NMF |
| Net interest expense | (7.5) | (2.9) | (158.6) |
| Underlying income tax expense | (4.0) | (30.0) | 86.7 |
| Statutory net profit after tax (“NPAT”) | (91.1) | 76.5 | NMF |
| Underlying NPAT | (34.7) | 76.7 | NMF |
| Statutory diluted earnings per share (“EPS”) (cents) | (44.9) | 37.1 | NMF |
| Underlying diluted EPS (cents) | (17.1) | 37.2 | NMF |
| Interim dividend (cents) | 6.0 | 23.0 | (73.9) |
| Total assets | 3,342.1 | 3,128.8 | 6.8 |
| Total liabilities | 1,175.4 | 871.7 | 34.8 |
| Net assets | 2,166.7 | 2,257.1 | (4.0) |
| Net cash | 151.2 | 153.6 | (1.6) |
| Total capital ² | 2,015.5 | 2,103.5 | (4.2) |
| Underlying return on capital ³ | (1.7) | 7.6 | NMF |
| Net tangible assets | 2,058.7 | 2,057.7 | 0.0 |
| Net tangible assets per share | 10.17 | 10.15 | 0.2 |
| Net cash (outflow)/inflow from operating activities | (34.1) | 20.0 | NMF |
| Capital expenditures | 80.0 | 84.5 | (5.3) |
| Free cash flow after capital expenditures ⁴ | (114.1) | (64.5) | (76.9) |
| Employees | 4,519 | 5,278 | (14.4) |
| Sales tonnes (‘000) | 4,474 | 4,951 | (9.6) |

¹ No meaningful figure

² Total capital = net assets – net cash

³ Underlying return on capital = (annualised underlying EBIT net of tax at effective tax rate of 27.5%) / total capital

⁴ Free cash flow after capital expenditures = operating cash flow – capital expenditures

Sensitivity to movements in foreign exchange rates

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

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

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

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

| | Average rate | | | Closing rate – as at | | |
|-----------------|--------------|--------|----------|----------------------|--------------|----------|
| | HY20 | HY19 | % Change | 31 Dec 2019 | 30 June 2019 | % Change |
| US dollar | 0.6846 | 0.7240 | (5.4) | 0.7022 | 0.7020 | - |
| Euro | 0.6170 | 0.6288 | (1.9) | 0.6263 | 0.6175 | 1.4 |
| Pounds sterling | 0.5436 | 0.5594 | (2.8) | 0.5295 | 0.5531 | (4.3) |

Summary

Sales revenue of A\$2,709.6 million in HY20 was down 18.7% compared to sales revenue of A\$3,334.1 million in the half year ended 31 December 2018 (“HY19”). The decline was attributed to lower average sales prices, in both ferrous and non-ferrous metals, and lower sales volumes. At constant currency, sales revenue was down 21.8% to A\$2,605.8 million. Sales volumes were 4.474 million tonnes in HY20 versus 4.951 million tonnes in HY19, due principally to the low pricing environment during HY20, which made limited the attractiveness of collection and sale of scrap. Non-ferrous volumes remained resilient in HY20, growing by 0.5% compared to HY19. See further discussion below under *External Operating Environment* and *Segment Results*.

Statutory EBIT in HY20 was a loss of A\$95.2 million compared to A\$108.9 million profit in HY19. At constant currency, statutory EBIT loss in HY20 was A\$91.5 million. Underlying EBIT loss of A\$23.2 million was A\$132.8 million lower than HY19 EBIT. The decrease in underlying EBIT was primarily due to tighter margins throughout HY20 due to intense competition for lower ferrous scrap inflow, low zorba prices and unsold inventory leading into September, particularly in UK Metals, which was sold at a loss. The Company's share of results from joint ventures declined from A\$31.8 million in HY19 to A\$6.4 million in HY20, primarily due to a decline of results from the Investment in SA Recycling (“SAR”).

Statutory NPAT loss in HY20 was A\$91.1 million. Underlying NPAT loss was A\$34.7 million in HY20 compared to A\$76.7 million NPAT in HY19. Underlying income tax expense of A\$4.0 million during HY20 was A\$26.0 million lower than HY19 due primarily to lower profit before tax. Net interest expense of A\$7.5 million was A\$4.6 million higher than HY19 due partially to the adoption of AASB 16 *Leases*, which resulted in A\$2.3 million of incremental interest expense compared to HY19. Statutory EBITDA in HY20 was A\$30.5 million compared to A\$173.1 million in HY19. EBITDA in FY20 included a A\$36.1 million increase in depreciation expense from HY19 to HY20. A\$31.2 million of the increased depreciation expense was due to the adoptions of AASB 16 *Leases*. See the *Reconciliation of Statutory Results to Underlying Results* included herein for more information.

Statutory diluted EPS was a loss of 44.9 cents in HY20 compared to earnings of 37.1 cents in HY19. Underlying diluted EPS was a loss of 17.1 cents in HY20 compared to earnings of 37.2 cents in HY19. Number of shares outstanding at HY20 decreased 0.2 million from HY19 as the Company leveraged its share buy-back programme to remove the dilution effect of employee performance rights.

External Operating Environment

The metals recycling industry faced a challenging set of external conditions in HY20, particularly in the quarter ending 30 September 2019 (“Q1 FY20”). Steel mills materially reduced their scrap purchases, and also their outlook for scrap purchases with East Coast US export ferrous heavy melting steel (“HMS”) prices falling around US\$50 in September 2019¹ to circa US\$220 / tonne with poor liquidity. The low pricing environment in HY20 reduced ferrous trading volumes across the Metals businesses, being 11.2% lower than the prior corresponding period. Non ferrous volumes remained stable despite challenging market conditions.

The zorba price started to decline in May 2019 and accelerated through October 2019¹. A partial recovery commenced in mid-December 2019 and zorba ended the 2019 calendar year at circa US\$800 / tonne compared

¹ Source: Platts

to an average of circa US\$1,000 / tonne throughout FY19¹. In most areas, the fall in zorba pricing did not see a commensurate fall in shredder feed price and therefore compressed margins.

In January 2020, China announced that high grade recycled copper and aluminium imports will be classified as a renewable metal, rather than waste, enabling materials meeting these criteria to be imported without quotas from 1 July 2020. Import quotas will remain in operation for Category 6 materials until end of calendar year 2020. The Company's investment in quality has provided optionality in geographic markets, as well as in customers, and placed the Group in a solid position.

North America break even result achieved despite challenging market due to higher material recovery and cost management

Volumes in North America declined 9.6% due to reduced inflows from a low pricing environment and flooding in southern states restricting the flow of scrap. Intense competition for the lower scrap inflow and low zorba and twitch pricing compressed margins. Recent investments in technology produced higher material recovery rates and cost management enabled a break even result and a lower ongoing cost base.

Healthy domestic demand for ferrous scrap metal from Australian steel mills

Australia's September 2019 quarter showed annual GDP growth at 1.7%, fairly consistent with the previous consecutive run rate of 1.6%². Domestic production of steel in Australia was the second highest on record and drove continued healthy domestic demand for ferrous scrap metal, despite declining 3.4% in calendar 2019 compared to 2018. Based on Australian customs statistics, the export of ferrous scrap volumes decreased 8.9% for 1H FY20 compared to 1H FY19³.

Business conditions in Australia were subdued, as increases in exports and government spending were partially offset by an increase in household saving, a fall in dwelling investment and soft household consumption.

Challenging market conditions in the UK but strategic restructure provides a lower operating cost base

The pace of growth in the UK economy continued to be soft; however, GDP turned positive for the September 2019 quarter at 0.4%. Intake volumes declined 20.1% due to a low pricing environment and intense competition for reduced volumes. Following the Q1 FY20 results, management undertook a strategic restructure. The strategic restructure provides a lower operating cost base going forward by closing 11 sites and aggregating to four larger sites that can process volumes at FY19 levels.

Growth in Sims Lifecycle Services cloud volumes contributed to 1H FY20 result improvement

The results reflect the preliminary accounting for the sale of European compliance scheme operations as at 30 September 2019, which is subject to European Commission approval. The strong 1H FY20 result was due to more selective purchasing and, a higher gold price. Continued growth in cloud volumes boosted earnings from remaining operations. Sims is now actively engaged with all major global cloud providers across multiple products and regions.

¹ Source: Platts

² Source: Australian Bureau of Statistics

³ Source: World Steel Association

Segment Results

NAM

| A\$m | HY20 | HY19 | Variance % |
|-------------------------|---------|---------|------------|
| Sales revenue | 1,133.0 | 1,401.0 | (19.1) |
| Underlying EBITDA | 43.3 | 84.4 | (48.7) |
| Underlying EBIT | 0.1 | 55.3 | (99.8) |
| Sales tonnes (millions) | 2.336 | 2.538 | (8.0) |
| Underlying EBIT margin | 0.0% | 3.9% | |

Sales revenue for NAM of A\$1,133.0 million in HY20 was 19.1% lower compared to HY19. At constant currency, sales revenue was down 23.5% to A\$1,071.4 million compared to HY19. The decrease was primarily due to lower average sales prices and an 8.0% decrease in total sales volumes over the prior corresponding period. Sales volumes excluding brokerage tonnes ("proprietary sales volumes") decreased from 2.517 million tonnes during HY19 to 2.275 million tonnes during HY20.

Underlying EBIT was A\$0.1 million in HY20 compared to A\$55.3 million in HY19. At constant currency, underlying EBIT was a loss of A\$0.6 million. Metal margin deteriorated due to intense competition for lower ferrous scrap inflow following a fall in ferrous prices and weak zorba pricing.

Investment in SAR

The Company's share of results from SAR were break-even in HY20, a decrease of A\$16.8 million compared to underlying share of results from SAR during HY19. The result from SAR decreased in HY20 compared to HY19 due to margin compression attributed to a fall in zorba price and general ferrous margin compression stemming from elevated buy prices for shredder feed.

ANZ

| A\$m | HY20 | HY19 | Variance % |
|-------------------------|-------|-------|------------|
| Sales revenue | 503.5 | 617.0 | (18.4) |
| Underlying EBITDA | 47.8 | 67.4 | (29.1) |
| Underlying EBIT | 22.3 | 51.8 | (56.9) |
| Sales tonnes (millions) | 0.840 | 0.948 | (11.4) |
| Underlying EBIT margin | 4.4% | 8.4% | |

Sales revenue for ANZ Metals of A\$503.5 million in HY20 was 18.4% lower compared to HY19. The decrease was primarily due to lower average sales prices in challenging market conditions and a 7.9% decrease in proprietary sales volumes. This volume decline was driven by lower ferrous prices limiting the attractiveness of material collection and sales across various supplier segments. Non-ferrous volumes were less impacted than ferrous.

Underlying EBIT of A\$22.3 million in HY20 was 56.9% lower compared to HY19 due to the lower sales volumes and prices partially offset by lower controllable costs. Controllable costs decreased 1.1% due in part to lower labour costs in the current period.

UK Metals

| A\$m | HY20 | HY19 | Variance % |
|-------------------------|-------------|-------------|-------------------|
| Sales revenue | 487.6 | 586.2 | (16.8) |
| Underlying EBITDA | (13.5) | 16.5 | NMF |
| Underlying EBIT | (28.4) | 6.8 | NMF |
| Sales tonnes (millions) | 0.663 | 0.794 | (16.5) |
| Underlying EBIT margin | (5.8)% | 1.2% | |

Sales revenue for UK Metals of A\$487.6 million in HY20 was 16.8% lower compared to HY19. At constant currency, sales revenue was down 19.2% to A\$473.8 million compared to HY19. The decrease was primarily due to lower average sales prices and lower volumes. Proprietary sales volumes decreased 16.4%. This was a consequence of the low pricing environment in HY20 reducing ferrous scrap inflow.

Underlying EBIT was a loss of A\$28.4 million in HY20 compared to underlying EBIT of A\$6.8 million in HY19. At constant currency, underlying EBIT was a loss of A\$27.7 million was \$34.5 million lower than the prior corresponding period. This was a result of unsold inventory in Q1 FY20 which was then sold at a loss, combined with low ferrous and zorba related pricing leading to intense competition for reduced volumes.

Sims Lifecycle Services (previously Global E-Recycling)

| A\$m | HY20 | HY19 | Variance % |
|------------------------|-------------|-------------|-------------------|
| Sales revenue | 247.9 | 349.6 | (29.1) |
| Underlying EBITDA | 21.1 | 14.3 | 47.6 |
| Underlying EBIT | 14.8 | 10.0 | 48.0 |
| Underlying EBIT margin | 6.0% | 2.9% | |

Sales revenue for Sims Lifecycle Services of A\$247.9 million in HY20 was 29.1% lower compared to HY19. At constant currency, sales revenue was down 31.4% to A\$239.9 million compared to HY19. The decline was primarily a result of the disposition of European compliance scheme operations as at 30 September 2019.

Underlying EBIT was A\$14.8 million in HY20 compared to A\$10.0 million in HY19. Adjusting for constant currency, underlying EBIT was A\$14.5 million, which was 45.0% higher than the prior corresponding period. Results benefited from more selective purchasing and higher gold prices, as well as continued strength and growth in cloud volumes.

Global Trading and Unallocated

Global Trading underlying EBIT loss of A\$7.0 million decreased from a loss of A\$7.3 million in the prior corresponding period. At constant currency, Global Trade incurred an underlying EBIT loss of A\$6.0 million. This was a consequence of decreased brokerage volumes from SA Recycling offset by reduced operating costs. Brokerage volumes of 0.635 million tonnes were down 5.4% compared to 0.671 million tonnes in the prior corresponding period.

Sims Municipal Recycling ("SMR") underlying EBIT of A\$1.0 million during HY20 increased from a loss of A\$0.1 million in HY19. The improvement from the prior corresponding period was largely due to the paper price contract amendment negotiated in the second half of FY19, partially offset by increasing costs.

On a constant currency basis, corporate costs within the unallocated segment were A\$30.3 million. This amount is a 4.1% increase from the prior corresponding period largely related to advisory fees for restructuring of business systems and processes.

The Company's 50% investment in the LMS Energy Pty Ltd joint venture ("LMS") contributed A\$6.4 million of equity accounted profits during HY20, up 18.5% over the prior corresponding period. LMS continued to perform well due to the development of new projects and strong large-scale generation certificates and wholesale electricity pricing.

Reconciliation of Statutory Results to Underlying Results

| A\$m | EBITDA ¹ | | EBIT | | NPAT | |
|---|---------------------|------------------|---------------|--------------|---------------|-------------|
| | HY20 | HY19 | HY20 | HY19 | HY20 | HY19 |
| Reported earnings | 30.5 | 173.1 | (95.2) | 108.9 | (91.1) | 76.5 |
| Significant items: | | | | | | |
| Legacy brand write offs | N/A ² | N/A ² | 14.6 | - | 11.0 | - |
| Other intangible asset impairments | N/A ² | N/A ² | 13.0 | - | 9.4 | - |
| Restructuring and redundancies | 33.6 | 0.1 | 33.6 | 0.1 | 26.9 | 0.1 |
| Loss on sale of European compliance scheme operations assets, net of associated professional fees | 3.2 | - | 3.2 | - | 2.9 | - |
| Environmental provisions | 11.0 | - | 11.0 | - | 8.2 | - |
| Non-qualified hedges | 1.9 | (0.5) | 1.9 | (0.5) | 1.9 | (0.4) |
| Impact of fires, net of insurance recoveries to date | (5.3) | 6.2 | (5.3) | 6.2 | (3.9) | 4.3 |
| Non-recurring gain on asset disposition by joint venture | - | (5.1) | - | (5.1) | - | (3.8) |
| Underlying results³ | 74.9 | 173.8 | (23.2) | 109.6 | (34.7) | 76.7 |

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 goodwill and other identified intangible assets in the presentation of both the statutory and underlying results.

³ 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 unaudited interim financial statements.

Reconciliation of Statutory NPAT to EBITDA

| A\$m | HY20 | HY19 |
|---|-------------|--------------|
| Statutory net (loss)/profit after tax | (91.1) | 76.5 |
| Impairment of goodwill and other intangible assets | 27.6 | - |
| Depreciation and amortisation, net of right of use asset depreciation | 66.9 | 64.2 |
| Right of use asset depreciation | 31.2 | - |
| Interest expense from external borrowings, net | 5.2 | 2.9 |
| Lease liability interest expense | 2.3 | - |
| Income tax (benefit)/expense | (11.6) | 29.5 |
| Statutory EBITDA | 30.5 | 173.1 |

Cash flow and borrowings

Cash outflow from operating activities was A\$34.1 million in HY20 compared to a cash inflow of A\$20.0 million during HY19. Net loss adjusted for non-cash impairments was an A\$49.4 million loss in HY20, a decrease of A\$125.9 million versus HY19 net profits. Income taxes paid decreased A\$31.7 million compared to the prior corresponding period in part due to lower earning. Capital expenditures, net of related reimbursed insurance recoveries and grants, were A\$71.9 million during HY20 compared to capital expenditures of A\$84.5 million in HY19. Capital expenditures during HY20 were primarily related to the Avonmouth, UK shredder upgrade, a second zorba separation line at the Claremont facility in NAM and copper granulation projects in the

UK and NAM. Cash from the sale of European compliance scheme operations expected in the second half of FY20 is not included within the statement of cash flows.

During HY20, the Group paid cash dividends of A\$38.6 million compared to A\$61.3 million in HY19. Cash received from share option exercises was A\$1.7 million in HY20 compared to A\$1.6 million in HY19 while cash paid for shares bought back was A\$22.2 million in HY20 as compared to A\$19.3 million in HY19. As part of the implementation of AASB 16 *Leases*, financing cash outflows from repayment of lease liabilities increased to A\$31.1 million in HY20 as compared to A\$1.1 million in HY19. This represents the cash outlay for lease payments in HY20, which was previously disclosed in operating activities.

At 31 December 2019, the Group had a net cash position of A\$151.2 million compared to a net cash position of A\$347.5 million at 30 June 2019. 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 31 December 2019 | As at 30 June 2019 |
|------------------------|---------------------------|-----------------------|
| Total cash | 222.9 | 382.9 |
| Less: total borrowings | (71.7) | (35.4) |
| Net cash | 151.2 | 347.5 |

Strategic Developments

Progressing strategic growth plan

In April 2019, the Company announced a significant growth strategy for its current lines of business and an expansion into new environmental adjacencies. New regulation in China classifying high quality non-ferrous scrap as a “renewable metal” rather than “waste” from 1 July 2020 validates the strategic push into increasing non-ferrous volumes.

Good progress was made across three of the growth areas:

- Sims Resource Renewal tested Sims Auto Shred Residue ("ASR") with two technologies which supported previous IRRs and showed emissions better than regulatory requirements;
- Cloud volumes achieved 8.9k tonnes in 1H FY20 and is on track to reach the FY20 target of 20k tonnes; and
- Sims Municipal Recycling won an additional contract in Florida with contract terms mitigating commodity risk.

The Company is in a strong position to further advance the strategy in the remainder of FY20 and going forward.

Strong balance sheet to support staged and disciplined growth and shareholder returns

The Company maintained an attractive balance sheet with a net cash position of A\$151.2 million as at 31 December 2019.

The Company announced a capital strategy in April 2019 that balances distributions to shareholders with the need for investment to support the Company's growth strategy. The Company introduced key principles to capital management:

- target A\$100 million average net cash;
- fund growth assets within the A\$100 million target but temporarily allow gearing¹ to increase to 10%², with a return to A\$100 million net cash target within three years;
- fund working capital movements with standby facilities;
- remove the dilution effect of employee performance rights;
- pay 100% franked dividends; and

¹ Defined as debt / (debt + equity).

² Currently equivalent to approximately A\$300 million.

- the allocation of any surplus cash after meeting the above principles will be determined at that time, including additional share buybacks.

The approach to capital management is staged and disciplined as:

- projects must pass all feasibility, design stage gates and approval processes prior to capital commitment; and
- there is a rigorous post-implementation review where expected returns need to be achieved prior to further investment.

During 1H FY20, the Company renewed a share buy-back purchasing A\$22.2 million in shares and employee share purchase plans.

For FY20, the Company estimates its ongoing capital spending will be approximately A\$180 million, with approximately one third budgeted for growth projects. The Company will also consider external growth opportunities that fit the Company's growth strategy, complement its core competencies and enhance returns, without elevating the Group's operating risk profile.

Market Conditions and Outlook

Providing market conditions do not deteriorate further, 2H FY20 Underlying EBIT is still expected to be within the previously guided range of A\$40 million to A\$60 million, adjusting for the sale of the European compliance scheme operations. Risks to this outcome include:

- impact of the Coronavirus on both ferrous and non-ferrous demand and prices;
- continued aggressive competitor buy side pricing (that has recently indicated some softening); and
- change to initial signs of positive sentiment in gradual recovery of the Turkish economy.

ENVIRONMENTAL REGULATION

The Group is subject to environmental regulations and reporting requirements in Australia as well as other countries in which it operates. The Group has environmental licenses and consents in place at various operating sites as prescribed by relevant environmental laws and regulations in respective jurisdictions. Conditions associated with these licenses and consents include those which stipulate environmental monitoring requirements and reporting limits to monitor conformance with the requirements of such licenses and consents.

Under Australian environmental regulation, an entity is required to provide a summary of its environmental performance as per s299(1)(f) of the *Corporations Act 2001*. Further information on the Company's environmental performance is set out in the Group's Annual Sustainability Report available on its website at www.simsmm.com.

Additionally, the Group's Australian operations are subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007* ("NGER"). The NGER Act requires the Group to report its annual greenhouse emissions and energy use of its Australian operations. The Group has implemented systems and processes for the collection and calculation of the data required so as to prepare and submit the relevant report to the Clean Energy Regulator annually.

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

CLIMATE CHANGE RAMIFICATIONS

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

The key risks identified centre around the potential for increased, and more extreme, weather events impacting:

- health and safety issues for employees operating on sites (extreme temperatures)

- inability to maintain standard operational hours at facilities (extreme temperatures);
- docks, material handling and the transportation of products (intense rain and wind);
- access to a reliable supply of electricity (extended heat waves); and
- reliable operation of critical data storage sites (flooding, extended heat waves).

These risks are currently not expected to have a material impact on the Company's financial performance. However, effective from July 2018, all capex approvals over a threshold value require consideration of the impact of climate change as standard practice.

DIVIDENDS

Since the end of the half year, the Directors have declared an interim dividend of 6.0 cents per share (100% franked) for the half year ended 31 December 2019. The dividend will be payable on 24 March 2020 to shareholders on the Company's register at the record date of 10 March 2020. The Directors have determined that the dividend reinvestment plan will not operate in relation to this dividend.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11 and forms part of the Directors' Report for the half year ended 31 December 2019.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2017/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest tenth of a million dollars, unless otherwise indicated.

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



G N Brunsdon
Chairperson
Sydney
18 February 2020



A Field
Managing Director and Group CEO
Sydney
18 February 2020

The Board of Directors
Sims Limited
555 Theodore Fremd Avenue, Suite C300
Rye, NY 10580
United States

18 February 2020

Dear Board Members

Auditor's Independence Declaration to Sims Limited

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

As lead audit partner for the review of the consolidated financial statements of Sims Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Don Pasquariello
Partner
Chartered Accountants

Sims Limited
Consolidated Income Statements
For the half year ended 31 December 2019

| | | Half year ended 31 December | |
|---|-------------|--|----------------------|
| | Note | 2019 A\$m | 2018 A\$m |
| Revenue | 2 | 2,714.0 | 3,339.2 |
| Other income | 4 | 20.5 | 25.5 |
| Raw materials used and changes in inventories | | (1,809.2) | (2,339.7) |
| Freight expense | | (247.0) | (257.1) |
| Employee benefits expense | | (322.6) | (323.9) |
| Depreciation and amortisation expense | 4 | (98.1) | (64.2) |
| Repairs and maintenance expense | | (47.2) | (47.4) |
| Other expenses | | (283.9) | (254.6) |
| Impairment of goodwill and other intangibles | | (27.6) | - |
| Finance costs | | (8.0) | (3.6) |
| Share of results of joint ventures | | 6.4 | 31.8 |
| (Loss)/profit before income tax | | (102.7) | 106.0 |
| Income tax benefit /(expense) | 5 | 11.6 | (29.5) |
| (Loss)/profit for the half year | | (91.1) | 76.5 |
| | | A¢ | A¢ |
| (Loss)/earnings per share | | | |
| Basic | 6 | (44.9) | 37.6 |
| Diluted | 6 | (44.9) | 37.1 |

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

Sims Limited
Consolidated Statements of Comprehensive Income
For the half year ended 31 December 2019

| | Half year ended 31 December | |
|---|--|----------------------|
| Note | 2019 A\$m | 2018 A\$m |
| (Loss)/profit for the half year | (91.1) | 76.5 |
| Other comprehensive income/(loss): | | |
| <i>Items that may be reclassified to profit or loss</i> | | |
| Changes in the fair value of cash flow hedges, net of tax | 0.4 | 0.2 |
| Foreign currency translation differences arising during the period, net of tax | 10.0 | 64.4 |
| <i>Items that will not be reclassified to profit or loss</i> | | |
| Re-measurements of defined benefit plans, net of tax | <u>(0.4)</u> | <u>(3.8)</u> |
| Other comprehensive income/(loss) for the half year, net of tax | <u>10.0</u> | <u>60.8</u> |
| Total comprehensive (loss)/income for the half year | <u>(81.1)</u> | <u>137.3</u> |

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

Sims Limited
Consolidated Statements of Financial Position
As at 31 December 2019

| | Note | 31 December 2019 A\$m | 30 June 2019 A\$m |
|--------------------------------------|-------------|--------------------------------------|----------------------------------|
| Current assets | | | |
| Cash and cash equivalents | | 222.9 | 382.9 |
| Trade and other receivables | | 474.0 | 386.7 |
| Inventory | | 325.3 | 442.8 |
| Other financial assets | | 24.3 | 17.5 |
| Assets classified as held for sale | | 0.1 | 0.1 |
| Total current assets | | <u>1,046.6</u> | <u>1,230.0</u> |
| Non-current assets | | | |
| Investments in joint ventures | | 314.4 | 312.7 |
| Other financial assets | | 53.1 | 18.1 |
| Right of use assets | | 307.7 | 0.1 |
| Property, plant and equipment | | 1,256.5 | 1,267.1 |
| Retirement benefit assets | | 2.6 | 2.7 |
| Deferred tax assets | 5 | 253.2 | 160.9 |
| Other intangible assets | 8 | 108.0 | 193.8 |
| Total non-current assets | | <u>2,295.5</u> | <u>1,955.4</u> |
| Total assets | | <u>3,342.1</u> | <u>3,185.4</u> |
| Current liabilities | | | |
| Trade and other payables | | 401.4 | 536.0 |
| Borrowings | | 70.8 | 0.2 |
| Lease liabilities | | 62.2 | - |
| Other financial liabilities | | 7.0 | 2.5 |
| Current tax liabilities | | 10.5 | 19.5 |
| Provisions | | 68.2 | 100.5 |
| Total current liabilities | | <u>620.1</u> | <u>658.7</u> |
| Non-current liabilities | | | |
| Payables | | 12.6 | 13.8 |
| Borrowings | | 0.9 | 35.2 |
| Lease liabilities | | 291.8 | - |
| Deferred tax liabilities | 5 | 185.3 | 115.2 |
| Provisions | | 62.3 | 60.9 |
| Retirement benefit obligations | | 2.4 | 2.9 |
| Total non-current liabilities | | <u>555.3</u> | <u>228.0</u> |
| Total liabilities | | <u>1,175.4</u> | <u>886.7</u> |
| Net assets | | <u>2,166.7</u> | <u>2,298.7</u> |
| Equity | | | |
| Contributed equity | 7 | 2,747.7 | 2,750.2 |
| Reserves | 7 | 254.4 | 236.3 |
| Accumulated deficit | | (835.4) | (687.8) |
| Total equity | | <u>2,166.7</u> | <u>2,298.7</u> |

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

Sims Limited
Consolidated Statements of Changes in Equity
For the half year ended 31 December 2019

| | Note | Contributed equity A\$m | Reserves A\$m | Accumula- ted deficit A\$m | Total equity A\$m |
|--|-------------|--|--------------------------|---|----------------------------------|
| Balance at 1 July 2018 | | 2,767.8 | 147.6 | (726.7) | 2,188.7 |
| Profit for the half year | | - | - | 76.5 | 76.5 |
| Other comprehensive income/(loss) | | - | 64.6 | (3.8) | 60.8 |
| Total comprehensive income for the half year | | - | 64.6 | 72.7 | 137.3 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends paid | 3 | - | - | (61.3) | (61.3) |
| Share options exercised | 7 | 1.6 | - | - | 1.6 |
| Share-based payments expense, net of tax | | - | 10.1 | - | 10.1 |
| Buy-back of ordinary shares | 7 | (19.3) | - | - | (19.3) |
| | | (17.7) | 10.1 | (61.3) | (68.9) |
| Balance at 31 December 2018 | | <u>2,750.1</u> | <u>222.3</u> | <u>(715.3)</u> | <u>2,257.1</u> |
| Balance at 1 July 2019 | | 2,750.2 | 236.3 | (687.8) | 2,298.7 |
| Loss for the half year | | - | - | (91.1) | (91.1) |
| Other comprehensive income/(loss) | | - | 10.4 | (0.4) | 10.0 |
| Total comprehensive loss for the half year | | - | 10.4 | (91.5) | (81.1) |
| Transactions with owners in their capacity as owners: | | | | | |
| Purchase of shares by trusts | 7 | - | - | (17.5) | (17.5) |
| Dividends paid | 3 | - | - | (38.6) | (38.6) |
| Share options exercised | 7 | 2.4 | - | - | 2.4 |
| Share-based payments expense, net of tax | | - | 7.7 | - | 7.7 |
| Buy-back of ordinary shares | | (4.9) | - | - | (4.9) |
| | | (2.5) | 7.7 | (56.1) | (50.9) |
| Balance at 31 December 2019 | | <u>2,747.7</u> | <u>254.4</u> | <u>(835.4)</u> | <u>2,166.7</u> |

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

Sims Limited
Consolidated Statements of Cash Flows
For the half year ended 31 December 2019

| | Half year ended 31 December | |
|---|--|----------------------|
| Note | 2019 A\$m | 2018 A\$m |
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of goods and services tax) | 2,577.7 | 3,396.5 |
| Payments to suppliers and employees (inclusive of goods and services tax) | (2,604.7) | (3,347.3) |
| Interest received | 0.5 | 0.7 |
| Interest paid | (7.0) | (3.2) |
| Dividends received from joint ventures | 4.3 | 16.0 |
| Insurance recoveries | 10.1 | 4.0 |
| Income taxes paid | (15.0) | (46.7) |
| Net cash (outflows)/inflows from operating activities | (34.1) | 20.0 |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (80.0) | (84.5) |
| Payments for businesses, net of cash acquired | - | (9.4) |
| Payments for other financial assets | (0.3) | (2.1) |
| Proceeds from grant for property, plant and equipment | 1.8 | - |
| Proceeds from sale of property, plant and equipment | 1.2 | 4.2 |
| Proceeds from sale of other financial assets | 0.5 | 0.4 |
| Net cash outflows from investing activities | (76.8) | (91.4) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 715.6 | 782.4 |
| Repayment of borrowings | (681.2) | (760.6) |
| Fees paid for loan facilities | - | (0.2) |
| Repayment of leases | (31.1) | (1.1) |
| Proceeds from issue of shares | 1.7 | 1.6 |
| Payments for shares under employee share plan | 7 (17.5) | - |
| Payments for shares bought back | 7 (4.9) | (19.3) |
| Dividends paid | 3 (38.6) | (61.3) |
| Net cash outflows from financing activities | (56.0) | (58.5) |
| Net decrease in cash and cash equivalents | (166.9) | (129.9) |
| Cash and cash equivalents at the beginning of the half year | 382.9 | 339.1 |
| Effects of exchange rate changes on cash and cash equivalents | 6.9 | 6.9 |
| Cash and cash equivalents at the end of the half year | 222.9 | 216.1 |

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

Sims Limited
Notes to the Consolidated Financial Report
For the half year ended 31 December 2019

Note 1 – Summary of significant accounting policies

Sims Limited (the “Company”) is a for-profit company incorporated and domiciled in Australia. The consolidated financial statements for the half year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in joint ventures.

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*;
- does not include all notes of the type normally included within the annual financial report. As a result, it should be read in conjunction with annual financial report of the Group for the year ended 30 June 2019, together with any announcements made by the Group during the half year ended 31 December 2019;
- has been prepared on the basis of historical cost, except for certain financial assets and liabilities which have been measured at fair value (refer to note 11);
- 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 2017/191, 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 2019.

New or Revised Accounting Standards

AASB 16 Leases

In the current year, the Group has applied AASB 16 *Leases* that is effective for annual periods that begin on or after 1 January 2019. AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requires the recognition of a right of use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets, which the Group has adopted as recognition exemptions. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The date of initial application of AASB 16 for the Group is 1 July 2019. The impact of the adoption of AASB 16 on the Group’s consolidated financial statements is described below.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed, consistent with prior accounting policy.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate.

The Group has applied AASB 16 using the cumulative catch-up approach, which requires the Group to recognise the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 will continue to be applied to those leases entered or changed before 1 July 2019.

Sims Limited
Notes to the Consolidated Financial Report
For the half year ended 31 December 2019

1 – Summary of significant accounting policies (continued)

AASB 16 Leases (continued)

(a) Impact of the new definition of a lease (continued)

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on ‘risks and rewards’ in AASB 117.

The Group applies the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or changed on or after 1 July 2019, whether it is a lessor or a lessee in the lease contract. In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition in AASB 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

(i) Former operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- a) recognises right of use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right of use asset adjusted by the amount of any prepaid or accrued lease payments;
- b) recognises depreciation of right of use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
- c) separates the total amount of cash paid into a principal portion (presented within financing activities) in the consolidated statement of cash flows

Lease incentives are recognised as part of the measurement of the right of use assets and lease liabilities whereas previously they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under AASB 16, right of use assets are tested for impairment in accordance with AASB 136 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within ‘other expenses’ in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying AASB 117:

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right of use asset at the date of initial application by the amount of provision for onerous leases recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognise right of use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right of use asset at the date of initial application.

Sims Limited
Notes to the Consolidated Financial Report
For the half year ended 31 December 2019

1 – Summary of significant accounting policies (continued)

AASB 16 Leases (continued)

(b) Impact on Lessee Accounting (continued)

(i) Former operating leases (continued)

- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

For leases that were classified as finance leases applying AASB 117, the carrying amount of the leased assets and obligations under finance leases measured applying AASB 117 immediately before the date of initial application is reclassified to right of use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

(c) Impact on Lessor Accounting

AASB 16 does not change substantially how a lessor accounts for leases. Under AASB 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, AASB 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under AASB 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of use asset arising from the head lease. Because of this change, the Group has reclassified certain of its operating sublease agreements as finance leases and accounted for them as new finance leases entered into at the date of initial application. As required by AASB 9, an allowance for expected credit losses has been recognised on the finance lease receivables where material.

(d) Financial impact of initial application of AASB 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 2.7%.

The variance from operating lease commitments disclosed applying AASB 117 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application is related to leases of low value, leases with an expiration of less than 12 months and adjustments as a result of different treatment of extension and termination options.

The balance sheet shows the following amounts related to leases:

| | Half year ended 31 December | |
|--|--|-------------|
| | 2019 | 2018 |
| | A\$m | A\$m |
| Right of use asset | 307.7 | - |
| Investment in sub-lease (included in other financial assets) | 40.2 | - |
| Total lease related assets | 347.9 | - |
| Current lease liabilities | 62.2 | - |
| Non-current lease liabilities | 291.8 | - |
| Total lease liabilities | 354.0 | - |

Sims Limited
Notes to the Consolidated Financial Report
For the half year ended 31 December 2019

1 – Summary of significant accounting policies (continued)

AASB 16 Leases (continued)

(d) Financial impact of initial application of AASB 16 (continued)

The income statement shows the following amounts related to leases:

| | Half year ended 31 December | |
|--|--|-------------|
| | 2019 | 2018 |
| | A\$m | A\$m |
| Right of use asset depreciation | 31.2 | - |
| Interest expense (included in finance costs) | 2.3 | - |

The impact of AASB 16 on the Group's consolidated income statement is set out below:

| | Half year ended 31 December | |
|---|--|-------------|
| | 2019 | 2018 |
| | A\$m | A\$m |
| Increase in earnings before interest, tax, depreciation and amortisation ("EBITDA") | 33.5 | - |
| Increase in earnings before interest and tax ("EBIT") | 2.3 | - |
| Impact on profit before income taxes | - | - |

The statement of cash flows for 31 December 2019 includes cash outflows for lease payments of A\$31.1 million within cash flows from financing activities and lease interest of A\$2.3 million within cash flows from operating activities. The cash flows for the half year ended 31 December 2018 have not been restated, with the cash flow associated with lease payments included in 'payments to suppliers and employees (inclusive of goods and services tax)' within cash flows from operating activities.

Note 2 – Segment information

(a) Description of segments

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

The Group operates in six principal operating segments: North America Metals ("NAM"), Australia/New Zealand Metals ("ANZ"), UK Metals ("UK"), Global Trading, Investment in SA Recycling ("SAR") and Sims Lifecycle Services ("SLS"). The segments are based on a combination of factors including geography, products and services. All other operating segments are included within the "Unallocated" segment.

The SLS operating segment was formerly referred to as Global E-Recycling. Following the disposal of the European compliance scheme operations referred to in note 9, the segment has clarified its description to emphasise end of life cloud services, including the reusing, redeploying and recycling of cloud infrastructure. The remaining subsidiaries are consistent with prior presentation.

Details of the segments are as follows.

- **NAM** – comprising subsidiaries and joint ventures in the United States of America and Canada which perform ferrous and non-ferrous secondary recycling functions.
- **ANZ** – comprising subsidiaries and joint arrangements in Australia, New Zealand and Papua New Guinea which perform ferrous and non-ferrous secondary recycling functions.
- **UK** – comprising subsidiaries in the United Kingdom which perform ferrous and non-ferrous secondary recycling functions.

Sims Limited
Notes to the Consolidated Financial Report
For the half year ended 31 December 2019

Note 2 – Segment information (continued)

(a) Description of segments (continued)

- **Global Trading** – comprising the Group’s ferrous and non-ferrous marketing subsidiaries that coordinate sales of ferrous bulk cargo shipments, non-ferrous sales into primarily China and Southeast Asia and brokerage sales on behalf of third and related parties.
- **SAR** – comprising the Group’s share of results from its investment in the SA Recycling joint venture.
- **SLS** – comprising subsidiaries which provide electronic recycling solutions in the following countries: Australia, Czech Republic, Dubai, Germany, India, Ireland, Netherlands, New Zealand, Poland, Republic of South Africa, Singapore, the United Kingdom and the United States of America.
- **Unallocated** – comprising unallocated corporate costs, interests in a joint venture in Australia, and SMR.

The Group also reports revenues by the following product groups:

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

(b) Sales revenue by product

| | Half year ended 31 December | |
|---|--|-----------------------|
| | 2019 | 2018 |
| | A\$m | A\$m |
| Ferrous secondary recycling | 1,783.6 | 2,307.1 |
| Non-ferrous secondary recycling | 624.0 | 628.8 |
| Recycling services | 247.9 | 349.6 |
| Secondary processing and other services | 54.1 | 48.6 |
| Total sales revenue | <u>2,709.6</u> | <u>3,334.1</u> |

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

| | NAM | ANZ | UK | Global | SAR | SLS | Unalloc- | Total |
|---------------------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|-----------------------|
| | A\$m | A\$m | A\$m | Trading | A\$m | A\$m | ated | A\$m |
| As at 31 December 2019 | | | | A\$m | | | A\$m | |
| Assets | 1,135.3 | 654.0 | 459.6 | 36.5 | 207.4 | 274.7 | 574.6 | 3,342.1 |
| Liabilities | 307.1 | 216.4 | 248.8 | 67.4 | 0.4 | 92.0 | 243.3 | 1,175.4 |
| Net assets/(liabilities) | <u>828.2</u> | <u>437.6</u> | <u>210.8</u> | <u>(30.9)</u> | <u>207.0</u> | <u>182.7</u> | <u>331.3</u> | <u>2,166.7</u> |

Sims Limited
Notes to the Consolidated Financial Report
For the half year ended 31 December 2019

Note 2 – Segment information (continued)

(c) Information about reportable segments (continued)

| | NAM A\$m | ANZ A\$m | UK A\$m | Global Trading A\$m | SAR A\$m | SLS A\$m | Unalloc- ated A\$m | Total A\$m |
|---------------------------|--------------|--------------|--------------|---------------------------|--------------|--------------|--------------------------|----------------|
| As at 30 June 2019 | | | | | | | | |
| Assets | 1,065.4 | 614.1 | 389.9 | 67.2 | 211.1 | 340.6 | 497.1 | 3,185.4 |
| Liabilities | 247.6 | 144.5 | 155.8 | 60.6 | 0.6 | 139.2 | 138.4 | 886.7 |
| Net assets | 817.8 | 469.6 | 234.1 | 6.6 | 210.5 | 201.4 | 358.7 | 2,298.7 |

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

| | NAM A\$m | ANZ A\$m | UK A\$m | Global Trading A\$m | SAR A\$m | SLS A\$m | Unalloc- ated A\$m | Total A\$m |
|---|----------------|--------------|---------------|---------------------------|-------------|--------------|--------------------------|----------------|
| Half year ended 31 December 2019 | | | | | | | | |
| Total sales revenue | 1,133.0 | 503.5 | 487.6 | 293.2 | - | 247.9 | 44.4 | 2,709.6 |
| Other revenue | 3.1 | 0.5 | - | 0.1 | - | 0.2 | 0.5 | 4.4 |
| Total segment revenue | 1,136.1 | 504.0 | 487.6 | 293.3 | - | 248.1 | 44.9 | 2,714.0 |
| Segment EBIT | (45.5) | 16.8 | (61.5) | 2.4 | - | (5.5) | (1.9) | (95.2) |
| Interest income | | | | | | | | 0.5 |
| Finance costs | | | | | | | | (8.0) |
| Loss before income tax | | | | | | | | (102.7) |
| Half year ended 31 December 2018 | | | | | | | | |
| Total sales revenue | 1,401.0 | 617.0 | 586.2 | 342.4 | - | 349.6 | 37.9 | 3,334.1 |
| Other revenue | 2.5 | 0.6 | - | 0.1 | - | - | 1.9 | 5.1 |
| Total segment revenue | 1,403.5 | 617.6 | 586.2 | 342.5 | - | 349.6 | 39.8 | 3,339.2 |
| Segment EBIT | 31.8 | 37.8 | 1.0 | 10.5 | 21.9 | 7.3 | (1.4) | 108.9 |
| Interest income | | | | | | | | 0.7 |
| Finance costs | | | | | | | | (3.6) |
| Profit before income tax | | | | | | | | 106.0 |

Note 3 – Dividends

Details of dividends paid are as follows:

| | Cents per share | Franked % | Half year ended 31 December | |
|-----------------------------|--------------------|--------------|--------------------------------|--------------|
| | | | 2019 A\$m | 2018 A\$m |
| Final 2019 | 19.0 | 100% | 38.6 | - |
| Final 2018 | 30.0 | 100% | - | 61.3 |
| Total dividends paid | | | 38.6 | 61.3 |

Since the end of the half year, the Directors have declared an interim dividend of 6.0 cents per share (100% franked). The dividend will be payable on 24 March 2020 to shareholders on the Company's register at the record date of 10 March 2020. The estimated dividends to be paid, but not recognised as a liability at the end of the reporting period, is approximately A\$12.1 million.

Sims Limited
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Note 5 – Income taxes

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

| | Half year ended 31 December | |
|--|--|---------------------|
| | 2019 | 2018 |
| | A\$m | A\$m |
| (Loss)/profit before income tax | <u>(102.7)</u> | <u>106.0</u> |
| Tax at the standard Australian rate of 30% | (30.8) | 31.8 |
| Effect of tax rates in other jurisdictions | 17.2 | (4.2) |
| Deferred tax assets not recognised | 1.3 | 0.5 |
| Recognition of tax effect of previously unrecognised tax losses | (0.1) | (0.2) |
| Non-deductible expenses | 1.0 | 0.9 |
| Share of net results of joint ventures | (2.0) | (3.0) |
| Share-based payments | (1.5) | 2.5 |
| Remeasurement of deferred tax balances | 2.1 | - |
| Non-assessable income | (0.1) | (0.3) |
| Local trade and income taxes | 1.9 | 3.4 |
| Other | <u>(0.6)</u> | <u>(1.9)</u> |
| Income tax (benefit)/expense recognised in profit or loss | <u>(11.6)</u> | <u>29.5</u> |

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. The Group has recognised net deferred tax assets totaling A\$67.9 million (30 June 2019: A\$45.7 million). The increase during the half year ended 31 December 2019 is primarily attributed to carry forward of current period tax losses in the UK. Laws pertaining to deferred income tax in the jurisdiction allow for indefinite carry forward of these losses. An analysis of the deferred tax asset was performed during the half year ended 31 December 2019. Management has implemented continuous improvement initiatives, cost reductions and a restructuring plan to substantiate sufficient future profitability to utilise the net deferred tax assets in the future.

The Group has not recognised deferred tax assets totaling A\$23.0 million (30 June 2019: A\$22.9 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\$18.7 million (30 June 2019: A\$16.9 million) due to either a history of tax losses or it is not considered probable that there will be sufficient future taxable profits to realise the benefit of deferred tax assets within certain subsidiary entities. Unrecognised tax losses include A\$12.7 million (30 June 2019: A\$12.5 million) of tax losses that will expire in 5 to 20 years. Other unused tax losses may be carried forward indefinitely.

On 31 January 2020, the UK exited from the European Union. There is a transition period whereby the UK will enter into trade agreements and other agreements to facilitate free trade. The Group will be reviewing the changes and will execute appropriate planning as needed.

Sims Limited
Notes to the Consolidated Financial Report
For the half year ended 31 December 2019

Note 6 – (Loss)/earnings per share

| | Half year ended 31 December | |
|---|--|----------------|
| | 2019 | 2018 |
| Basic (loss)/earnings per share (in A¢) | (44.9) | 37.6 |
| Diluted (loss)/earnings per share (in A¢) | (44.9) | 37.1 |
| Weighted average number of shares used in the denominator ('000) | | |
| Basic shares | 202,726 | 203,473 |
| Dilutive effect of share-based awards | - | 2,761 |
| Diluted shares | 202,726 | 206,234 |

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

Note 7 – Equity

(a) Contributed equity

Movements in the ordinary share balance were as follows:

| | Half year ended 31 December 2019 | | Half year ended 31 December 2018 | |
|---|---|----------------|---|----------------|
| | Number of shares | A\$m | Number of shares | A\$m |
| On issue per share register at the beginning of the period | 202,730,877 | 2,750.2 | 202,662,448 | 2,767.8 |
| Shares bought-back | (448,887) | (4.9) | (1,708,114) | (19.3) |
| Issued under long-term incentive plans | 240,247 | 2.4 | 1,766,118 | 1.6 |
| On issue per share register at the end of the period | 202,522,237 | 2,747.7 | 202,720,452 | 2,750.1 |

On 16 October 2018, the Company announced a share buy-back programme for 12 months with a maximum number of shares that can be purchased of approximately 20.4 million. During the half year ended 31 December 2018, the Company purchased and cancelled 1,708,114 ordinary shares for total consideration of A\$19.3 million under this buy-back programme.

On 8 November 2019, the Company announced a new share buy-back programme for 12 months with a maximum number of shares that can be purchased of approximately 20.3 million. During the half year ended 31 December 2019, the Company purchased 448,887 ordinary shares for total consideration of A\$4.9 million under its current buy-back programme.

During August 2019, the Company established two separate employee share ownership program trusts for the benefit of all long-term incentive plan eligible employees of the Company. The trust uses funds provided by Sims Limited and/or its subsidiaries to acquire shares on market to satisfy exercises and vests made under the Group's long-term incentive plans. Of the outstanding shares as of 31 December 2019, the trusts held 113,316 shares.

Excluding shares held in the employee share ownership program trusts, the number of shares held in equity as at 31 December 2019 was 202,408,921 with a value of A\$2,746.4 million. The A\$1.3 million related to treasury shares is included within accumulated deficit. There were no treasury shares held at 31 December 2018. The weighted average number of shares used for the purposes of calculating basic earnings per share is calculated after deduction of the shares held by the Group's trusts.

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Note 7 – Equity (continued)

(b) Reserves

| | Share-based payments A\$m | Cash flow hedging A\$m | Foreign currency translation A\$m | Total A\$m |
|--|---------------------------------|---------------------------------|--|---------------|
| Balance at 1 July 2018 | 204.9 | (1.2) | (56.1) | 147.6 |
| Equity-settled share-based payment expense | 10.7 | - | - | 10.7 |
| Revaluation – gross | - | (1.1) | - | (1.1) |
| Transfer to profit or loss – gross | - | 1.4 | - | 1.4 |
| Foreign currency translation differences | - | - | 73.4 | 73.4 |
| Deferred tax | (0.6) | (0.1) | (9.0) | (9.7) |
| Balance at 31 December 2018 | <u>215.0</u> | <u>(1.0)</u> | <u>8.3</u> | <u>222.3</u> |
| Balance at 1 July 2019 | 223.7 | (0.4) | 13.0 | 236.3 |
| Equity-settled share-based payment expense | 6.2 | - | - | 6.2 |
| Conversion of equity-settled awards | (0.3) | - | - | (0.3) |
| Transfer to profit or loss – gross | - | 0.6 | - | 0.6 |
| Foreign currency translation differences | - | - | 9.9 | 9.9 |
| Deferred tax | 1.8 | (0.2) | 0.1 | 1.7 |
| Balance at 31 December 2019 | <u>231.4</u> | <u>-</u> | <u>23.0</u> | <u>254.4</u> |

Note 8 – Goodwill and other intangible assets

| | 31 December 2019 A\$m | 31 December 2018 A\$m |
|---|-----------------------------|-----------------------------|
| (a) Carrying amounts of goodwill | | |
| As at 1 July | | |
| Cost | 1,691.0 | 1,612.5 |
| Accumulated impairment | (1,543.8) | (1,469.0) |
| Net book amount | <u>147.2</u> | <u>143.5</u> |
| Half year ended 31 December | | |
| Opening net book amount | 147.2 | 143.5 |
| Acquisition of subsidiaries | - | 0.8 |
| Derecognised on disposal of subsidiaries (note 9) | (56.7) | - |
| Impairment charge | (13.0) | - |
| Foreign exchange differences | 0.6 | 3.0 |
| Closing net book amount | <u>78.1</u> | <u>147.3</u> |
| As at 31 December | | |
| Cost | 1,640.0 | 1,685.1 |
| Accumulated impairment | (1,561.9) | (1,537.8) |
| Net book amount | <u>78.1</u> | <u>147.3</u> |

(b) Goodwill impairment charges recognised

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Due to the difficult economic conditions affecting the Group's industry, changes to the Group's operating results and forecasts, and the sale of a portion of a cash generating unit ("CGU"), the Group determined a triggering event had occurred as at 31 December 2019. The Group performed a goodwill impairment test which resulted in the following goodwill impairment charges.

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Note 8 – Goodwill and other intangible assets (continued)

(b) Goodwill impairment charges recognised (continued)

| | Half year ended 31 December | |
|--|--|-------------|
| | 2019 | 2018 |
| | A\$m | A\$m |
| CGU | | |
| Continental Europe Recycling Solutions | 13.0 | - |
| Total | 13.0 | - |

This CGU was impacted by the sale of certain European compliance scheme oriented recycling assets during the half year ended 31 December 2019. As a result, the future cash flows for this CGU were reassessed which indicated the carrying value of goodwill was not fully recoverable. Accordingly, an impairment of the entire goodwill balance for this CGU was required.

(c) Other Intangibles

As at 31 December 2019 and 30 June 2019, the balance of other intangibles was A\$29.9 million and A\$46.2 million, respectively. As a result of the loss of brand value from a specific legacy trade name of a subsidiary in the NAM CGU, the Group recognised an impairment charge of A\$14.6 million related to other intangibles.

(d) Key assumptions used for impairment tests of assets including goodwill and intangible assets

The recoverable amount of each of the Group's CGUs has been determined based on the higher of fair value less costs to sell or value in use calculations. The Group believes its methodology is the most meaningful method, in order to reflect the cyclical nature of its business and the volatile nature of commodity markets that can impact its business.

The value in use calculations use a five year cash flow projection which is based on a five year forecast prepared by management. The five year forecast is developed using historical averages derived from four years of historical results through fiscal 2019, half year results through 31 December 2019 and the forecast for the half year ending 30 June 2020. 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 noting that no tests were performed at 31 December 2018.

Sims Limited
Notes to the Consolidated Financial Report
For the half year ended 31 December 2019

Note 8 – Goodwill and other intangible assets (continued)

(d) Key assumptions used for goodwill and intangible asset impairment tests (continued)

| | Discount rate (pre-tax) | Growth rate |
|--|-----------------------------|-------------|
| | Half year ended 31 December | |
| CGU | 2019 | 2019 |
| | % | % |
| Australia and New Zealand Metals | 12.8 | 1.9-2.4 |
| Continental Europe Recycling Solutions | 23.2 | 1.2-1.6 |
| North America Metals | 10.8 | 1.6 |
| United Kingdom Metals | 9.8 | 2.3 |

(e) Allocation of goodwill by CGU

Goodwill acquired through business combinations has been allocated to groups of CGUs that are expected to benefit from the acquisition. Goodwill is monitored and tested for impairment by management at the CGU level. The following CGUs have significant amounts of goodwill:

| CGU | Segment | 31 December | 30 June |
|--|-------------------------|-------------|--------------|
| | | 2019 | 2019 |
| | | A\$m | A\$m |
| Continental Europe Recycling Solutions | Sims Lifecycle Services | - | 69.8 |
| Australia and New Zealand Metals | ANZ Metals | 58.1 | 58.0 |
| United Kingdom Metals | UK Metals | 16.4 | 15.7 |
| North America Metals | North America Metals | 1.6 | 1.6 |
| All other CGUs | | 2.0 | 2.1 |
| Total | | 78.1 | 147.2 |

(f) Impact of possible changes in key assumptions

The North America Metals CGU has A\$22.5 million of goodwill and other intangibles as at 31 December 2019. The impairment testing for this CGU at 31 December 2019 reflected excess headroom of A\$3.2 million. 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 31 December 2019. In the absence of any fair market value adjustments, if future estimated cash flows were lower or the discount rate was higher, with all other assumptions being the same, an impairment charge would have been recorded.

The United Kingdom Metals CGU has A\$24.6 million of goodwill and other intangibles as at 31 December 2019. The impairment testing for this CGU at 31 December 2019 reflected excess headroom of A\$13.5 million. 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 31 December 2019. If future estimated cash flows were 4.3% lower or the discount rate was 0.4% higher, with all other assumptions being the same, an impairment charge would have been recorded.

Note 9 – Business disposals

During the half year ended 31 December 2019, the Group agreed to sell its European compliance scheme operations to TSR Recycling. The sale was effective as of 30 September 2019. The balances below are subject to final working capital and other completion audit adjustments. The estimated consideration and the carrying amount of the net assets at the date of disposal prior to any completion adjustment are as follows.

Sims Limited
Notes to the Consolidated Financial Report
For the half year ended 31 December 2019

Note 9 – Business disposals (continued)

| | <u>A\$m</u> |
|--|-------------------|
| Initial sale price, net of cash sold | 133.4 |
| Net carrying value of disposed assets | <u>(135.8)</u> |
| Loss on business disposal | 2.4 |
| Transaction costs associated with disposal to date | <u>0.8</u> |
| Net loss on business disposal | <u>3.2</u> |

There were no disposals of subsidiaries made in the half year ended 31 December 2018.

Note 10 – Contingencies

The Group has given guarantees in respect of the performance of contracts entered into in the ordinary course of business. The amounts of these guarantees provided by the Group, for which no amounts are recognised in the consolidated financial statements, as at 31 December 2019 was A\$93.0 million (30 June 2019: A\$74.8 million).

Note 11 – Fair value of financial instruments

The fair value measurement principles adopted in this report are consistent with those applied in the Company's annual financial report for the year ended 30 June 2019.

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.

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).

The Group also has financial assets and liabilities which are not measured at fair value. For cash and cash equivalents, trade and other receivables, trade and other payables and current borrowings, the fair value of the financial instruments approximates their carrying value as a result of the short maturity periods of these financial instruments. The fair value of non-current borrowings approximates their carrying value as all the borrowings have floating interest rates. The fair value of loans to third parties approximate their carrying value using current interest rates.

Note 12 – Subsequent Events

On 28 January 2020, the Group renewed its loan facilities, which extended the maturity date through 31 October 2022.

On 11 February 2020, the Company announced the retirement of William Schmiedel, President Global Trade, effective 30 June 2020.

Sims Limited

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 12 to 29 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - ii. giving a true and fair value view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that Sims Limited will be able to pay its debts as and when they become due and payable.

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



G N Brunson
Chairperson
Sydney
18 February 2020



A Field
Managing Director and Group CEO
Sydney
18 February 2020

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

We have reviewed the accompanying half-year financial report of Sims Limited, which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 30.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sims Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Sims Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Don Pasquariello
Partner
Chartered Accountants
Sydney, 18 February 2020