SIMS METAL MANAGEMENT

2 Op OPTIMISE

1 St STREAMLINE

ANNUAL REPORT 2016

3 Gr GROW

OPTIMISING PROFITABILITY

Sims Metal Management Limited is the world's leading metals and electronics recycler with over 200 facilities and 4,756 employees globally. Our mission is to be the best in class recycler in all markets we operate. Our industry leadership will be driven by the strengths of our partnership with our suppliers, the excellence of our products and services to our customers, and the attractiveness of our returns to shareholders.

1 St

STREAMLINE

Exit non-strategic businesses

Fixed cost reductions

2 Op OPTIMISE

Optimise core drivers of profitability

3 Gr GROW

Retain market share
Adaptive market positioning
Engage in market adjacencies
New lines of business

CONTENTS

FINANCIAL HIGHLIGHTS

$184m
1H $61m | 2H $123m
Underlying[1] EBITDA

$58m
1H $(5)m | 2H $63m
Underlying[1] EBIT

$38m
1H $(18)m | 2H $56m
Underlying[1] NPAT

$242m
As at 30 June 2016
Net Cash

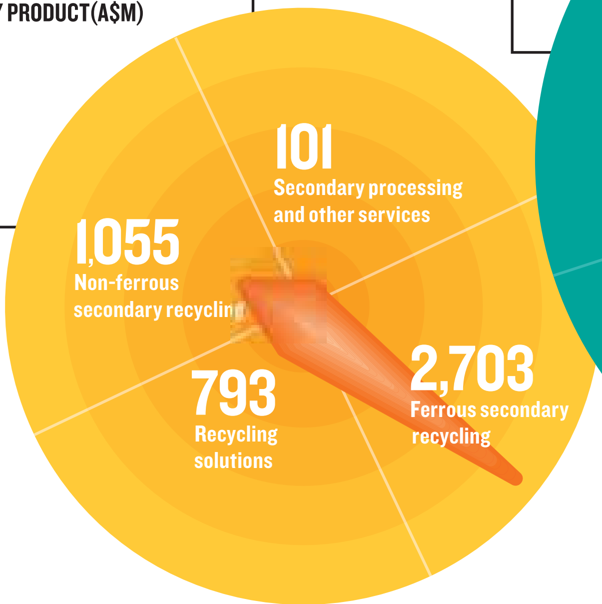
2.6%
1H (0.4)% | 2H 5.5%
Underlying[1] Return on Capital

22.0¢
1H 10.0¢* | 2H 12.0¢^
Full Year Dividends
* unfranked | ^ 100% franked

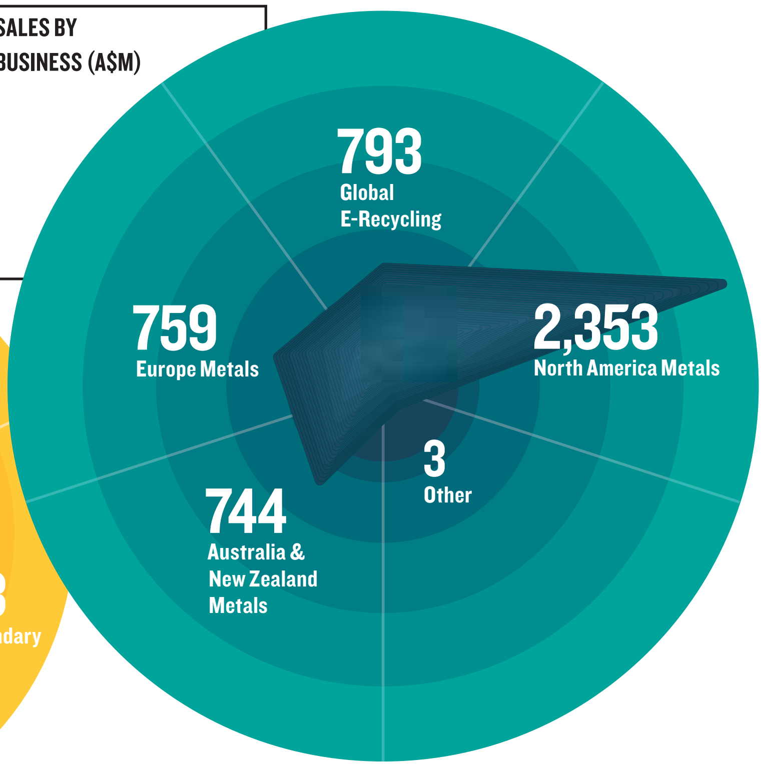
YEAR ENDED 30 JUNE (A$ MILLION)	2016	2015	CHANGE (%)
Sales Revenue	4,651.7	6,310.9	(26.3)
Statutory EBITDA	83.0	265.6	(68.8)
Underlying[1] EBITDA	184.4	262.5	(29.8)
Goodwill & Intangible Asset Impairment	53.0	0.0	NMF
Depreciation	113.4	106.1	6.9
Amortisation	13.0	14.7	(11.6)
Statutory EBIT	(215.5)	144.8	NMF
Underlying[1] EBIT	58.0	141.7	(59.1)
Net Interest Expense	(9.7)	(7.8)	24.4
Underlying[1] Income Tax Expense	(10.3)	(32.4)	(68.2)
Statutory NPAT	(216.5)	109.9	NMF
Underlying[1] NPAT	38.0	101.5	(62.6)
Statutory EPS (cents per share) - Diluted	(106.8)	53.3	NMF
Underlying[1] EPS (cents per share) - Diluted	18.6	49.2	(62.2)
Full Fiscal Year Dividend (cents per share)	22.0	29.0	(24.1)
Total Assets	2,570.9	2,881.8	(10.8)
Total Liabilities	738.4	769.0	(4.0)
Net Assets	1,832.5	2,112.8	(13.3)
Net Cash	242.1	313.9	(22.9)
Total Capital	1,590.4	1,798.9	(11.6)
Underlying[1] Return on Capital	2.6%	5.5%	(52.7)
Net Tangible Assets	1,662.7	1,883.6	(11.7)
Net Tangible Assets per share (A$ per share)	8.41	9.19	(8.5)
Net Cash Inflow From Operating Activities	131.3	298.1	(56.0)
Capital Expenditures	108.9	95.3	14.3
Free Cash Flow After Capital Expenditures	22.4	202.8	(89.0)
Employees	4,756	5,429	(12.4)
Sales Tonnes ('000)	8,551	10,481	(18.4)

1. Underlying earnings excludes significant non-recurring items.

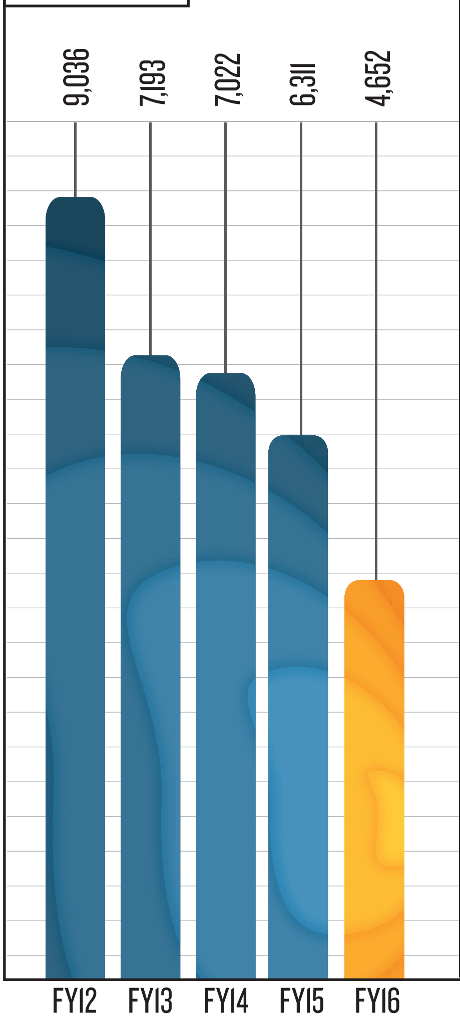
SALES REVENUE BY PRODUCT(A$M)



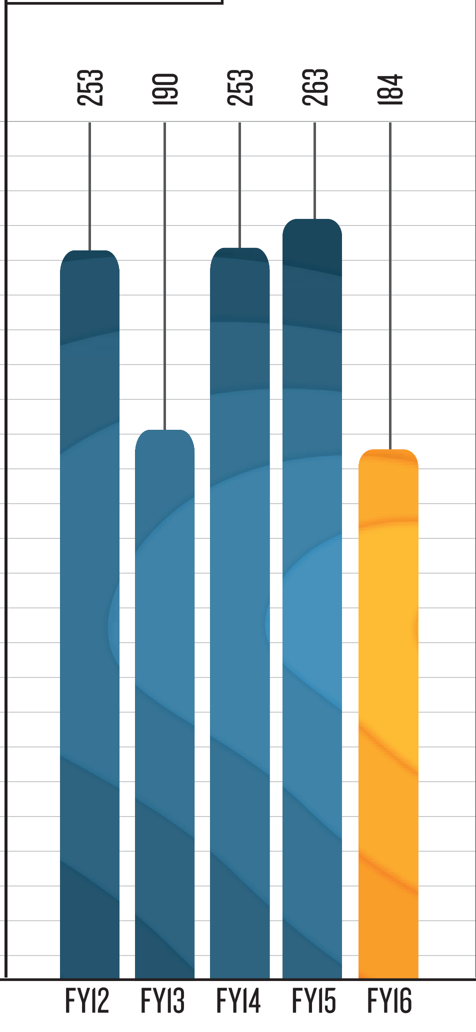
SALES BY BUSINESS (A$M)



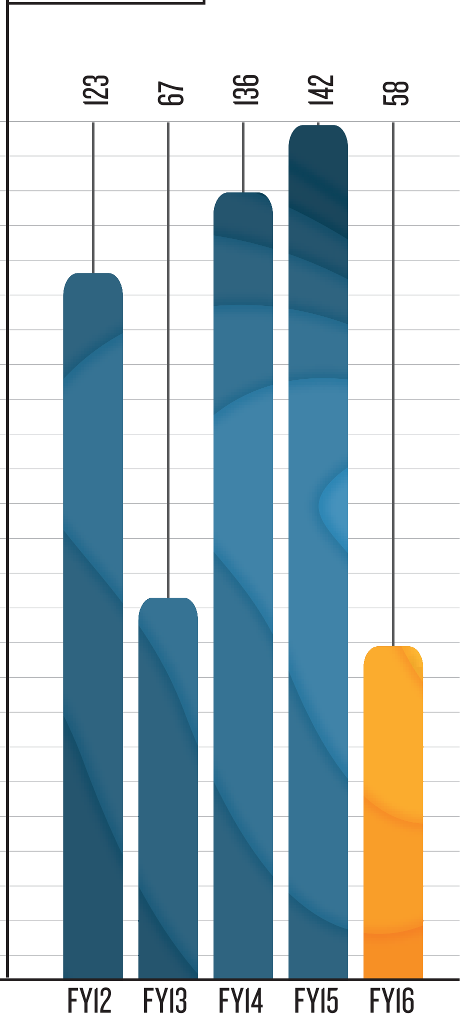
SALES REVENUE (A$M)



UNDERLYING EBITDA (A$M)



UNDERLYING EBIT (A$M)



CHAIRMAN'S REVIEW

"The improvement in second half earnings was encouraging evidence of the accomplishments thus far of the strategic plan"

As reflected in the results of the Company, FY16 presented some unprecedented challenges. During the first three months of FY16, commodity supply and demand dynamics were similar to conditions experienced during the second half of FY15. However, October marked a significant negative step down in the market, which did not recover until the end of the fiscal year.

Slowing domestic steel consumption in China saw a wave of excess production dumped into global markets. As it is a substitute for scrap, the availability of cheap Chinese billet eroded demand for ferrous scrap metal from steel mills outside China. At the same time, an oversupply of low-cost iron ore helped pushed down the price of ferrous scrap by over $30 per tonne during October to the lowest level since 2003.

These factors contributed to an 18% drop in Sims' sales volumes in FY16. Facing this market environment, the Company took rapid action to reset its operating platform by selling, closing or mothballing marginal operations and by continuing to remove costs from the business. In total, 42 loss making or non-core facilities were targeted for sale or closure, and controllable costs were reduced across the remaining operations.

The resetting actions led to a meaningful improvement in earnings, from an underlying NPAT loss of $18 million in 1H FY16, to a profit of $56 million in 2H FY16. However, for the full year FY16, NPAT of $38 million was 63% lower than the prior year.

The improvement in second half earnings was encouraging evidence of the accomplishments thus far of the strategic plan and recent resetting initiatives. This gives us greater confidence in the business' ability to deliver superior financial returns as market conditions improve in the future.

STRATEGIC PLAN AND PRIORITIES

The Company is now entering the fourth year of its five-year strategic plan announced in July 2014. At that time, we believed commodity markets had reached cyclical lows. However, while the environment has since proven more demanding, a great deal of progress has been made. The operational portfolio has been streamlined so that the Company's core competitive advantages can be leveraged, and the overall cost structure of the Company has been meaningfully reduced, allowing for greater profitability in a lower volume environment.

With the Streamline phase of the plan substantially complete, larger scale Optimise initiatives are planned for implementation over FY17 and FY18, and the final Growth stage of the plan is now coming into view. The Board continues to work closely with, and support, management in order to achieve the Company's target of return on capital of 10% or greater by FY18, and ensure profitable growth beyond.

CAPITAL MANAGEMENT AND DIVIDENDS

The Company's balance sheet position remains strong with a net cash position of $242 million as at 30 June 2016. The Board understands that some shareholders prefer their returns in the form of dividends, while others prefer capital growth. We will continue to balance these objectives through dividends and share buyback programs, while ensuring there is adequate capital to reinvest in the business to support the Company's long-term strategic plans.

Reflecting on the health of the balance sheet, improved outlook for the business, and the attractive value of the operations at current market prices, in December 2015 the Board approved an on-market buyback to repurchase up to 10% of the Company's issued capital. During FY16, a total of 7.9 million shares were repurchased at an average price of $7.59 per share.

The Board has also determined to pay a final dividend for FY16 of 12.0 cents per share, which will be fully franked, on 21 October 2016 to shareholders on the Company's register at the record date of 7 October 2016. The Company's dividend policy to distribute 45% to 55% of NPAT, subject to the discretion of the Board, remains unchanged.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

The United Nations Conference on Climate Change in Paris last year, and the commitments made by the member nations, underscores the continued global urgency to address sustainability issues. Like countries and the people in them, companies must deliver more and better solutions. Business as usual is not an option.

In last year's report, I mentioned that our Board of Directors signed a personal commitment to sustainability. Since that time, we are very pleased to report that two of the most respected organizations globally – The Conference Board and The National Association of Corporate Directors (USA) – have recognized this commitment and have included our story in their major publications.

The nature of our businesses and the strength of our CEO, our leadership team and our people – combined with the global nature of our operations and the robustness of our five-year strategic plan – all support sustainable innovation and growth. Sims Metal Management embraces circular economy principles as the road to value creation for tomorrow's leaner, more resilient, sustainable and transparent company.

THE BOARD

As announced at last year's Annual General Meeting (AGM), longstanding non-executive director Christopher Renwick will retire from the Board at the end of Sims Metal Management's 2016 AGM. Chris has served as Chairperson of the Safety, Health, Environment, Community & Sustainability Committee and, more recently, of the Remuneration Committee. Chris' specialist knowledge in these areas, as well as his broader industry experience, has been invaluable to me and all the Board. I would like to thank him for his tireless efforts and support during his decade of service and especially during my time as Chairman.

THANK YOU

As the Company marks its 100 year anniversary in 2017, your Board and I are confident that whatever the future holds, Sims Metal Management will continue to be the world leader in metals and electronics recycling through its safety performance, global trading networks and commitment to superior return on capital. All Sims Metal Management's employees deserve credit and a thank you for their contribution to what has made the Company a leader in its industry.

On behalf of my fellow directors, I would like to thank you for your continued support as shareholders in the Company and invite you to attend our AGM, this year to be held in Sydney on Wednesday 9 November 2016.

Geoff Brunsdon
Chairman

CEO'S REVIEW

"The difficult work accomplished in the past financial year has meaningfully and sustainably improved our business."

Dear Shareholders,

The market conditions of FY16, particularly at the end of the first half, were not only the most difficult during my time at Sims Metal Management, but perhaps the toughest the industry has seen in the past 30 years. The challenges of the market significantly worsened in October, as excess production of steel in China spilled into international markets at record levels. Steel from China increasingly displaced demand for ferrous scrap from our traditional EAF steel mill customers, and significantly impacted sales volumes across the metals recycling industry.

We responded quickly and decisively to these challenges. In the first half of FY16 we accelerated our optimising initiatives, dramatically reduced overhead expenses, and initiated the sale or idling of non-core facilities, a campaign which continued throughout the second half. The difficult work accomplished in the past financial year has meaningfully and sustainably improved our business.

The Company's cost and operating structure has now been tailored to perform well in difficult markets, and to deliver considerably stronger earnings when conditions improve. We have reduced our operational volume break-even point to ensure continued profitability at the bottom of the cycle, yet we have retained enough spare capacity to sell 12 million tonnes of recyclable material per annum when industry volumes recover. Moreover, with $242 million in net cash at the end of FY16, our balance sheet remains one of the strongest in the industry. This gives us the strength to weather demanding market conditions, invest back into the business, while also delivering capital to shareholders through dividends and our share buyback.

RESET THE BUSINESS FOR STRONGER PERFORMANCE

During FY16, we continued to implement new initiatives to improve our core drivers of profitability across Supplier Relationships, Logistics, Operational Excellence, and Product Quality & Services. Through the success we have already achieved, and expect to accomplish in the future, we remain committed to achieving our goal of greater than cost of capital returns in FY18.

In November 2015, we announced new initiatives to reset the business to achieve attractive returns, even at the lowest level of market activity. These initiatives generated a significant and permanent improvement in the business, and were a meaningful driver of the material earnings increase in the second half of FY16.

The scope of the resetting work was extensive. Twenty-nine loss-making or non-core facilities were sold or idled, overhead costs were lowered, and employee headcount was reduced by 12%. Through these initiatives, controllable costs declined by a further $137 million during FY16.

The swift implementation of these initiatives helped drive the substantial lift in earnings during the second half. Underlying return on capital increased from near break-even in 1H FY16 to 5.5% in 2H FY16, and an even higher 11.0% during the fourth quarter of FY16.

Since the beginning of our five-year strategy in FY14, controllable costs have been reduced by $234 million per annum and our volume break-even point has been lowered. At the same time, we have maintained the majority of our volume capacity, keeping us well positioned for when market volumes recover.

REINVESTING IN THE BUSINESS FOR GROWTH

While resetting the business for the present, we are also looking to the future, through reinvesting back into the business. In FY16, we invested $109 million in capex and expect to invest a further $120 million to $150 million in FY17. This capex will be used to support the existing asset base, deliver on our Optimise improvement initiatives, and invest in growth opportunities. We believe this investment is especially important at the bottom of the cycle and the key to supporting long-term value creation.

In the year ahead we will also initiate the Growth stage of our five-year strategic plan. The Growth platform will be built on four pillars in order to identify opportunities which deliver the greatest value to shareholders. These growth pillars include 1) market share retention, 2) adaptive market positioning to capitalise on future growth markets, 3) entrance into adjacent markets where competitive strengths can be leveraged, and 4) new lines of business.

COMMITMENT TO WORKPLACE SAFETY AND SUSTAINABILITY

Metal recycling involves large machinery and heavy objects in close proximity of workers and, as a result, can be very dangerous. Because of this, I have always stated that safety is our first priority. We lead every meeting, from the boardroom to the shop floor, with a discussion on safety. Our goal is simple: zero harm; no one gets hurt, either at work or at home. Our zero injury goal, which once seemed impossible, now seems achievable. Last year, through leadership involvement and employee engagement, we had, at year end, 84% of our facilities worldwide with zero recordable injuries, and 94% with zero lost workday injuries. This is tremendous progress. But one injury is one too many, and our goal must be zero.

At Sims Metal Management we are proud of our long positive record of sustainability and corporate responsibility. Having exceeded our 2009 long-term sustainability goals, we have recently embarked on a new set of 2020 sustainability goals. We continue to improve our performance on a variety of key sustainability metrics and remain committed to be a global leader in sustainability.

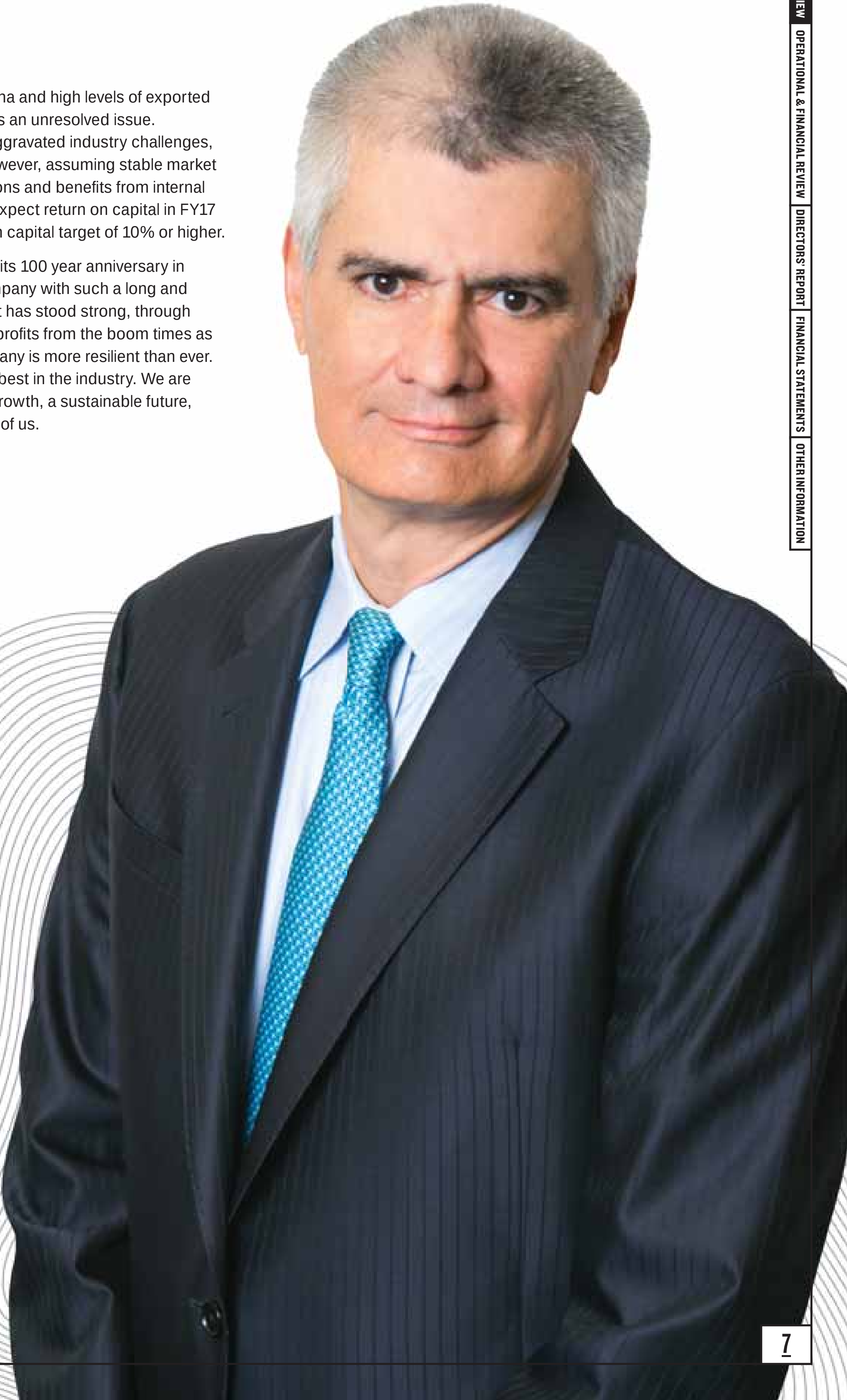
As the world comes to grips with climate change and the challenges of an increasing population, pressure on resources will not only continue, but escalate. This presents an even stronger business case for the 'circular economy' in general – and, in particular, our Company's place in it. We are already established as one of the world's leading recyclers, and will continue to add to this platform with innovation and growth.

GOING FORWARD

Overcapacity of steel production in China and high levels of exported semi-finished and finished steel remains an unresolved issue. Additionally, intense competition has aggravated industry challenges, making market forecasting difficult. However, assuming stable market conditions, based on the resetting actions and benefits from internal initiatives in the current fiscal year, we expect return on capital in FY17 to be a step towards our FY18 return on capital target of 10% or higher.

Sims Metal Management will celebrate its 100 year anniversary in 2017. We are proud to be part of a Company with such a long and proud history. Sims Metal Management has stood strong, through recessions and wars, and enjoyed the profits from the boom times as well. Entering a new century, the Company is more resilient than ever. Our operations and our people are the best in the industry. We are reinvesting back into the business for growth, a sustainable future, and the next one hundred years ahead of us.

Galdino Claro
Group CEO
and Managing Director



FIVE-YEAR STRATEGIC PLAN

WHO WE ARE

Sims Metal Management Limited is the world's leading metals and electronics recycler, with principal operations in the United States, Australia, New Zealand, Germany and the UK.

202 sites

28 metal shredders

4,756 people

WHAT WE'VE DONE

$242m
net cash at FY16 year end

$160m
returned to shareholders through dividends and share buyback since FY13

$234m
in controllable costs reductions since FY13

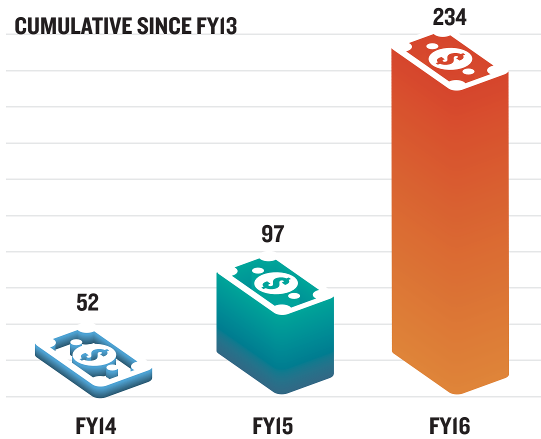
34%
reduction in volume break-even point from FY13 to 2H FY16

WHAT WE'RE DOING

1 St — STREAMLINE

Streamlining costs and focusing on highest margin operations

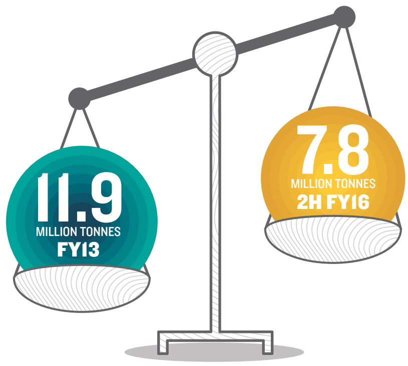
REDUCING CONTROLLABLE COSTS (A$M)



2 Op — OPTIMISE

We are optimising our core drivers of profitability across our global operational footprint of over 200 facilities

IMPROVED OUR VOLUME BREAK-EVEN PROFIT POINT BY 34%



3 Gr — GROW

Retain market share
Adaptive market positioning
Engage in market adjacencies
New lines of business

FOUR PILLARS OF GROWTH

The five-year strategic plan objective is to deliver above cost of capital returns even at bottom of the cycle conditions. The plan is based on three pillars, Streamlining the operations to a lower and more flexible cost base, Optimising the business based on the core drivers of profitability, and Growing through investment into the Group's most attractive operations and opportunities.

STARTED FY13

STREAMLINE | OPTIMISE | GROW

WHAT WE WANT TO DELIVER

FY17 PROJECTS | EXPECTED EBIT BENEFIT $20M TO $25M

SALE OF NON-CORE ASSETS (COMPLETE)

CLOSURE OF CHICAGO STAINLESS (COMPLETE)

RESTRUCTURE OF US E-RECYLCING (IN PROGRESS)

FY17 PROJECTS | EXPECTED EBIT BENEFIT $20M TO $25M

INVESTING IN PLANT AND EQUIPMENT

ENHANCING LOGISTICS CAPABILITIES

FY18 PROJECTS | EXPECTED EBIT BENEFIT $50M TO $70M

EXPANDING RECYCLING CAPABILITIES

ENHANCING WORKFLOWS AND PROCESSES

RE-INVESTING FOR SUSTAINABILITY AND GROWTH

$120m - $150m

in capex expected in FY17

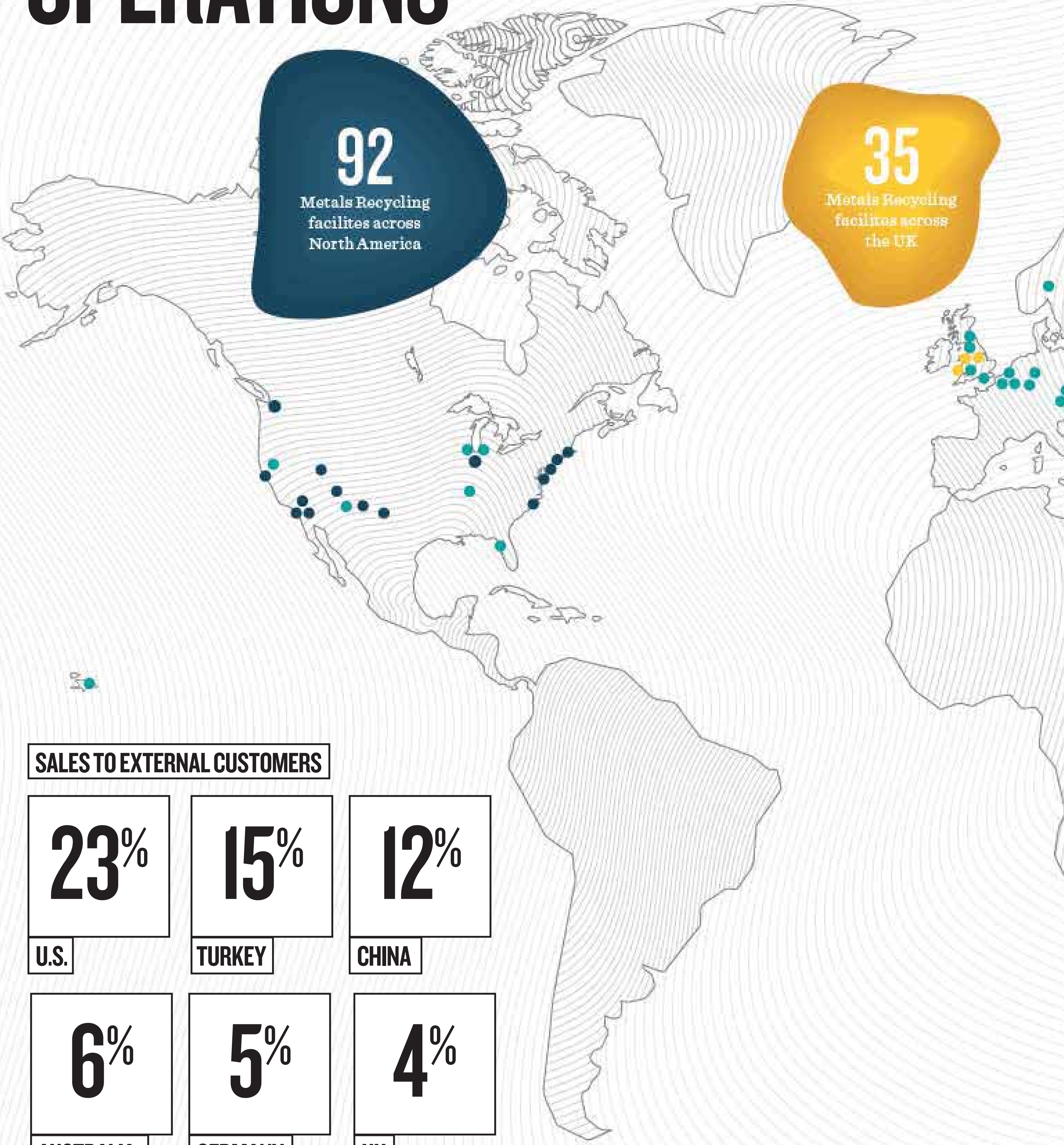
BEST IN CLASS HEALTH AND SAFETY

CONTINUE TO LOWER OUR VOLUME BREAK-EVEN POINT

RETURNS EXCEEDING THE COST OF CAPITAL THROUGH THE CYLE

ROC TARGET BY FY18

GLOBAL OPERATIONS



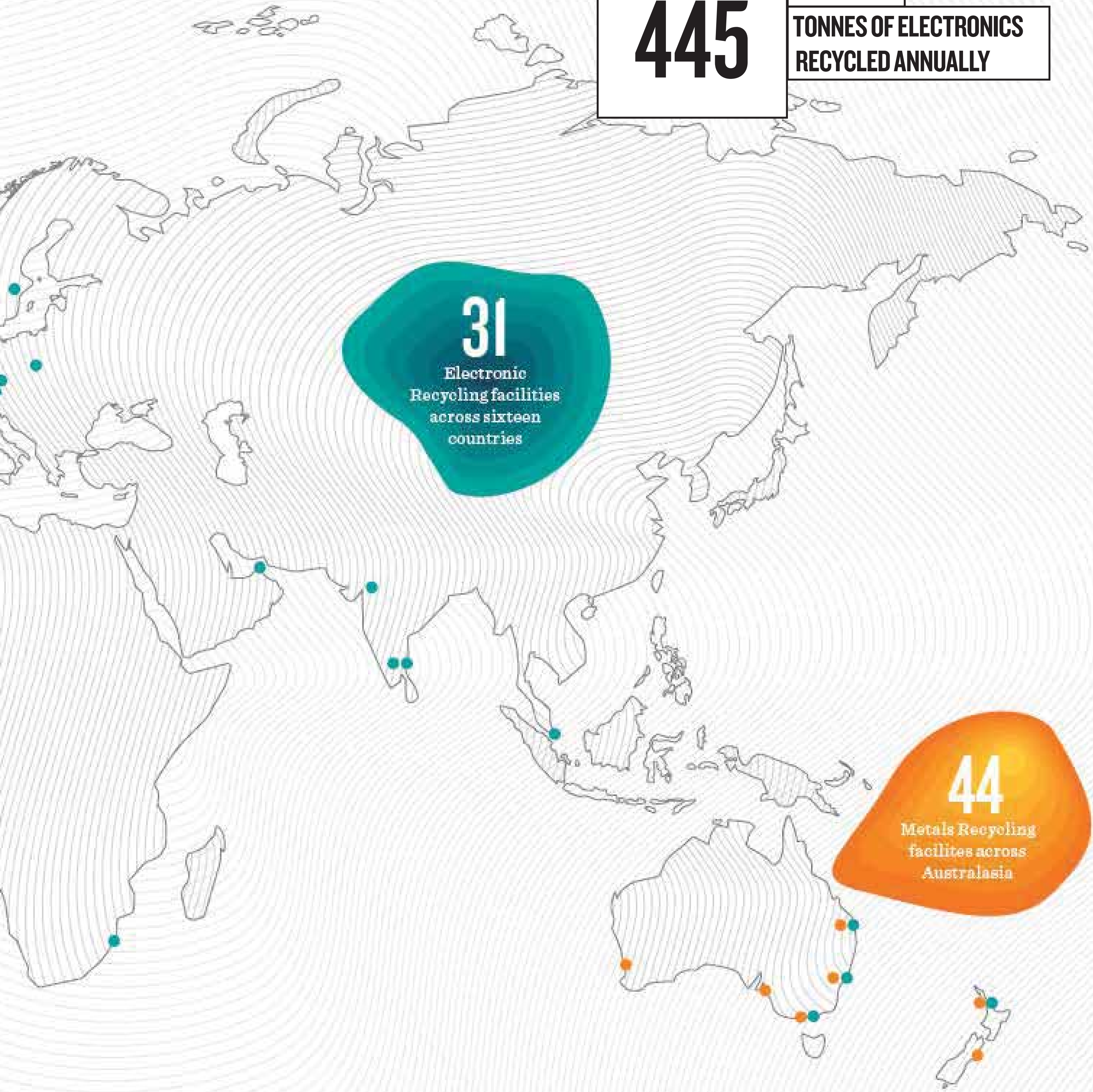
SALES TO EXTERNAL CUSTOMERS

23%	U.S.
15%	TURKEY
12%	CHINA
6%	AUSTRALIA
5%	GERMANY
4%	UK

8.6 MILLION TONNES OF SECONDARY METALS SALES ANNUALLY

200+ FACILITIES ACROSS 20 COUNTRIES

445 THOUSAND TONNES OF ELECTRONICS RECYCLED ANNUALLY



NORTH AMERICA

North America Metals is the largest business segment within the Sims Metal Management portfolio operating 90 wholly-owned and joint venture facilities across the United States and Canada, with some 1,884 employees. In FY16, North America Metals accounted for 51% of the Company's total sales revenue, with sales of 5.8 million tonnes of ferrous and non-ferrous secondary metal to domestic and export customers.

EXTERNAL OPERATING ENVIRONMENT

Lower commodity prices and declining export demand placed further pressure on secondary metals volumes in North America. Total US exports of ferrous scrap fell 19% during the fiscal year as demand weakened across key EAF steel markets, particularly in East Asia. Similarly, US exports of copper and aluminium scrap also weakened, declining 9% and 13%, respectively, during FY16 over FY15.

Intake volumes of secondary metal in North America continue to be caught between two conflicting drivers. The steady rate of economic growth achieved in the US has supported the inherent generation of secondary metal. Specifically, improving consumer spending, residential construction and industrial production have added to the underlying reservoir of secondary metal in the US.

However, supportive economic growth has been more than offset by the substantial decline in commodity prices. Lower prices have negatively impacted the economic attractiveness of secondary metal collection. At lower price levels, the costs related to sourcing and transport of secondary metal, have reduced the incentive for collection, particularly in regions with low population bases and longer transport distances. For the 12 month period ending May 2016, US ferrous scrap generation was roughly 51 million tonnes. This level of scrap generation is down 27% since early 2012.

PERFORMANCE

Sales revenue for North America Metals in FY16 was 31% lower compared to FY15. At constant currency, sales revenue was 40% lower compared to FY15. The decrease was primarily due to lower average selling prices and sales volumes, the latter of which declined by 18%.

Underlying EBIT of $2.3 million in FY16 was 81% lower than FY15. The impact of lower sales volumes and lower average sales prices led to a 15% reduction in metal margin which was partially offset by a 14% reduction in controllable costs, on a constant currency basis. The market challenges were felt the strongest in the Central Region of North America due to high competition for material and low levels of collection.

Compositionally, earnings performance significantly improved in the second half compared to the first half. Underlying EBIT of $25.4 million in 2H FY16 was the second highest half year result since FY11, and compared to a $23.1 million loss in 1H FY16. The earnings recovery was driven by North America Metals Central and East, with higher income from the SA Recycling joint venture.

STRATEGIC PROCESS

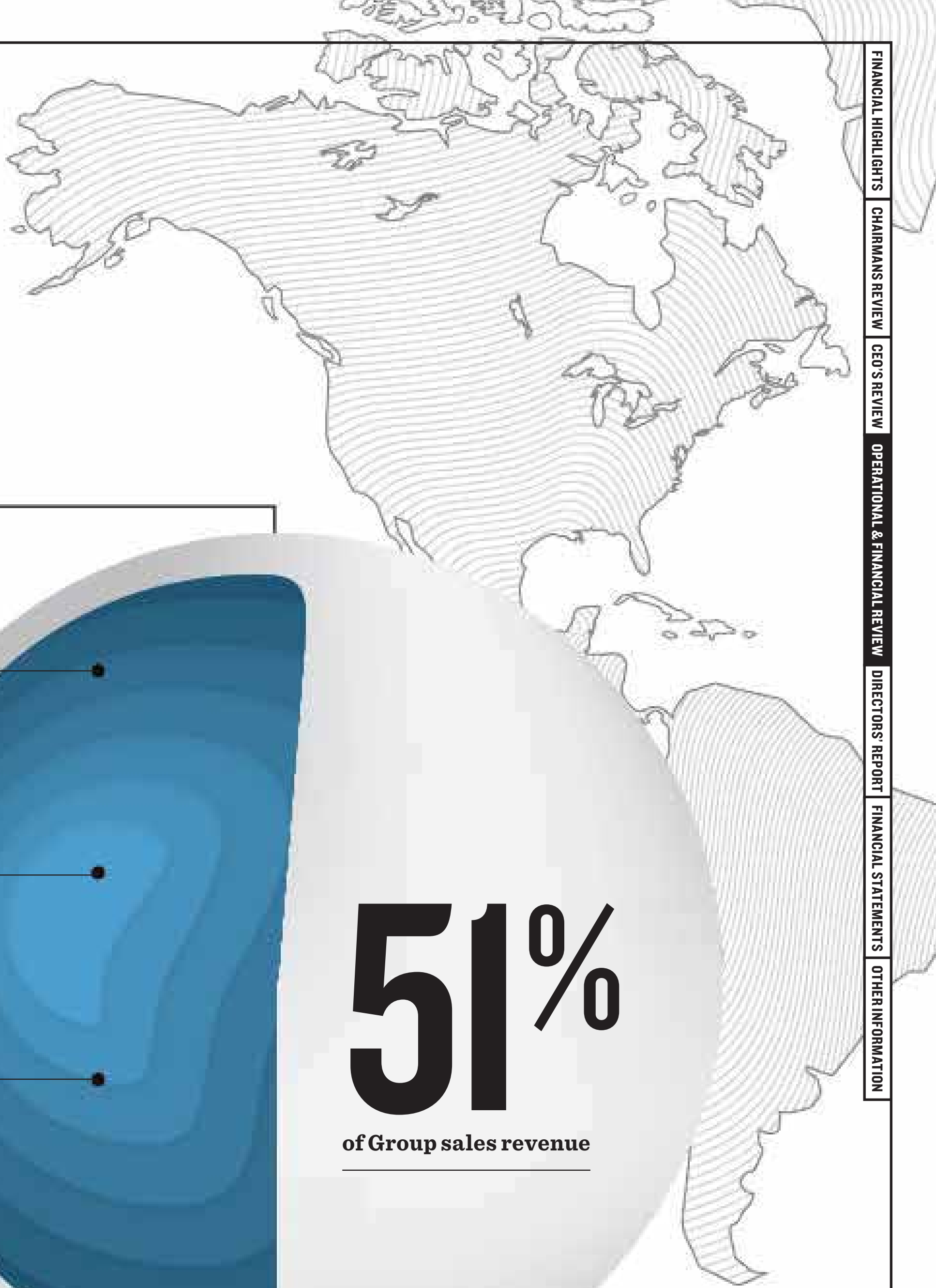
The challenges of lower commodity prices and volumes in FY16 required swift and significant adjustments to the Company's operational model. During FY16, ten facilities were either sold or idled, as part of a resetting plan aimed at divesting non-core and underperforming assets outside of key markets. These plans included the exit of certain facilities in the Central Region where unique local market conditions have generated intense levels of competition. In addition, overhead costs were further streamlined and employee headcount was reduced by 12% over the previous fiscal year.

Subsequent to the close of FY16, an additional ten facilities were sold. These included the sale of assets in the Central Region of North America located in Tennessee and Mississippi, two small facilities in Detroit and Toledo, as well as the closure of a stainless steel recycling facility located in Chicago.

In total, the facilities identified for resetting produced underlying EBIT losses of $19 million in FY16. Following the sale of selected Central Region assets, the divestment of identified underperforming facilities is now substantially complete, with associated benefits to be realised in FY17.

GOING FORWARD

The actions taken in the North America Metal business over the past year on cost savings and asset restructuring have driven a meaningful reduction in the operational fixed cost base. This lower cost platform has created a lower volume break-even point for enhanced operational performance in the current low volume generation environment. Assuming stable market conditions, due to the resetting actions, divestment of loss making facilities, and improving metal margins, return on capital in North America Metals is expected to strengthen in FY17.



SALES REVENUE

$2,353m

1H $1,236m | 2H $1,117m

$76m

1H $16m | 2H $60m

Underlying EBITDA

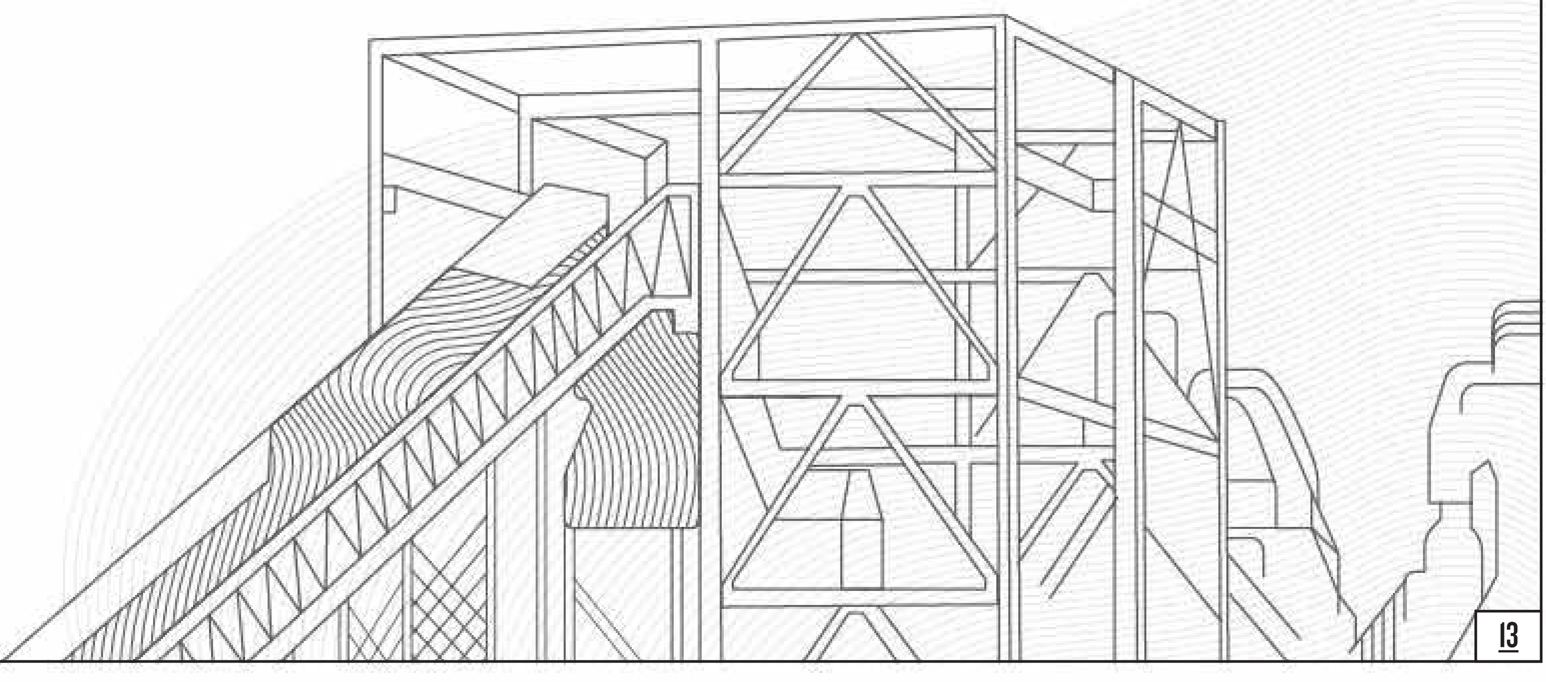
$2m

1H ($23)m | 2H $25m

Underlying EBIT

51%

of Group sales revenue



AUSTRALIA AND NEW ZEALAND

Australia and New Zealand Metals (ANZ Metals) is the leading metal recycler in Australasia operating 44 wholly-owned and joint venture facilities across Australia, New Zealand, and Papua New Guinea, with some 712 employees in total. In FY16, ANZ Metals accounted for 16% of the Company's total sales revenue, with sales of 1.4 million tonnes of ferrous and non-ferrous secondary metal to domestic and export customers.

EXTERNAL OPERATING ENVIRONMENT

The health of the Australian economy remains strong relative to other developed countries with the IMF forecasting GDP growth of 2.8% in 2017. While new mining investment has declined, Australia's position as a low cost producer across many commodities has kept mining output at high levels. In addition, the decline in new mine construction has been offset by a boom in residential, non-residential and public infrastructure projects. Growth from non-mining related construction has stimulated ferrous secondary metal demand from domestic steel mills. This domestic demand has provided a cushion from lower export shipments to steel mills in East Asia.

While the Australian economy has remained surprisingly resilient, mixed signals on the outlook remain. Manufacturing activity and spending on capital investments continue to be soft. As well, similar to other regions, the drop in commodity prices has lowered secondary metal collection levels. Despite stabilising in the second half of the fiscal year, sales volumes dropped 24% in FY16 over the prior year.

PERFORMANCE

Sales revenue for ANZ Metals in FY16 was 29% lower compared to FY15. The decrease was primarily due to lower average selling prices and sales volumes, the latter of which decreased by 24%.

Underlying EBIT of $39.7 million in FY16 was 33% lower compared to FY15. The impact of lower sales volumes and lower average sales prices led to a 19% reduction in metal margin which was partially offset by a 16% reduction in controllable costs.

Underlying earnings strengthened in the second half compared to the first half. ANZ Metals underlying EBIT increased to $25.7 million in 2H FY16, from $14.0 million in 1H FY16. The improved results of the second half related to a successful reduction in the operational costs and a slightly higher sales volumes driven by stronger domestic demand.

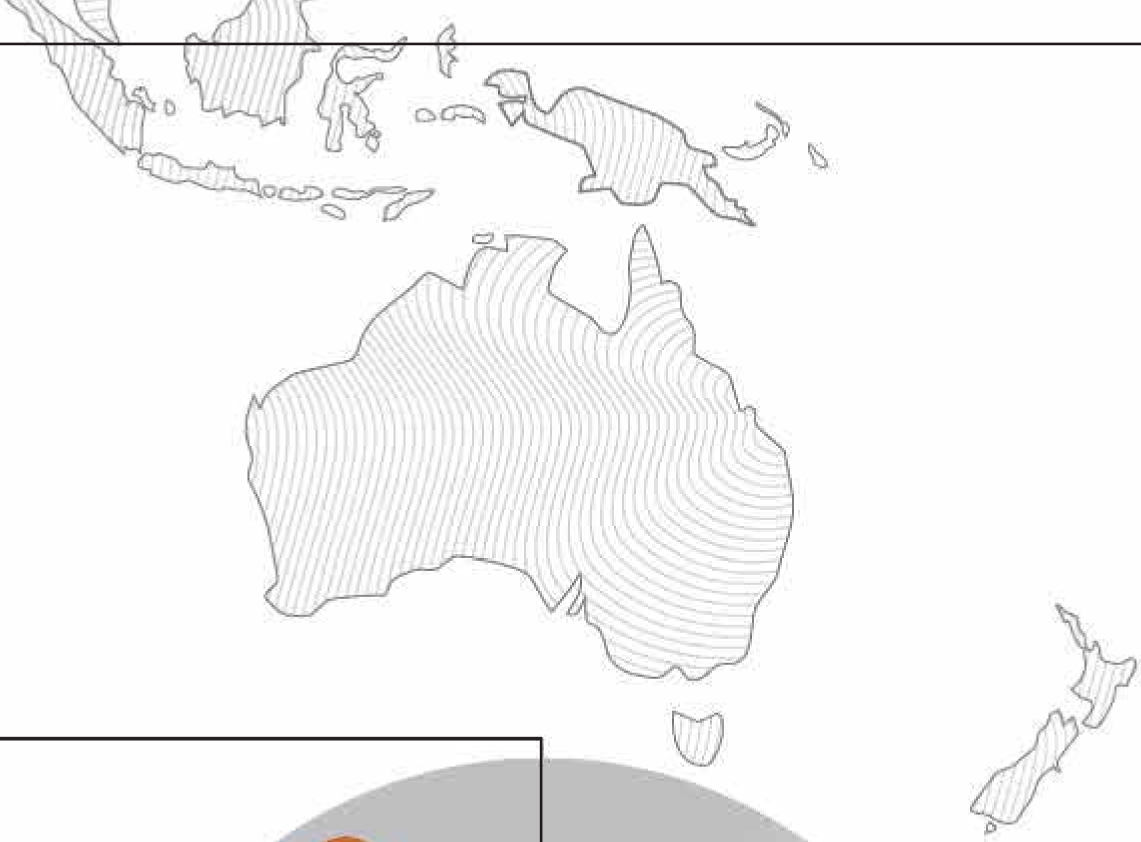
STRATEGIC DEVELOPMENT

During FY16, nine facilities were either sold or idled, as part of the resetting plan to balance the operational footprint to current lower volume conditions. The locations which were idled were smaller collection facilities, and can be reopened once business activity levels improve. In addition, overhead costs were further streamlined in FY16. Employee headcount was reduced by 12% over the previous fiscal year creating a leaner fixed base cost structure.

ANZ Metals also commenced operations at the newly constructed collection and processing facility at Kwinana in Western Australia. The full service facility, which includes a high powered automobile shredder, was officially opened by Western Australia Premier Colin Barnett in November 2015. The new facility employs the most up-to-date technology available, replacing an older shredding facility in nearby Spearwood. The new 6000HP metal shredder has the capacity to shred, clean, and sort 150 tonnes per hour of scrap steel and old automobile bodies. The facility has improved the processing efficiency of the Western Australia operations, while lowering operating costs and lifting throughput capacity.

GOING FORWARD

The outlook for the ANZ Metals business has improved following the challenges faced in FY16. The business is expected to build on gains from recent cost reductions and other internal initiatives, with new projects to be delivered in FY17. These projects include completion of construction of an advanced off-line Metal Recovery Plant (MRP) at Kwinana WA to further separate non-ferrous metals from the shredder waste stream. Once complete, the non-ferrous separation plant will meaningfully improve metal yields and reduce waste disposal fees.



SALES REVENUE

$744m

1H $377m | 2H $367m

$67m

1H $28m | 2H $39m

Underlying EBITDA

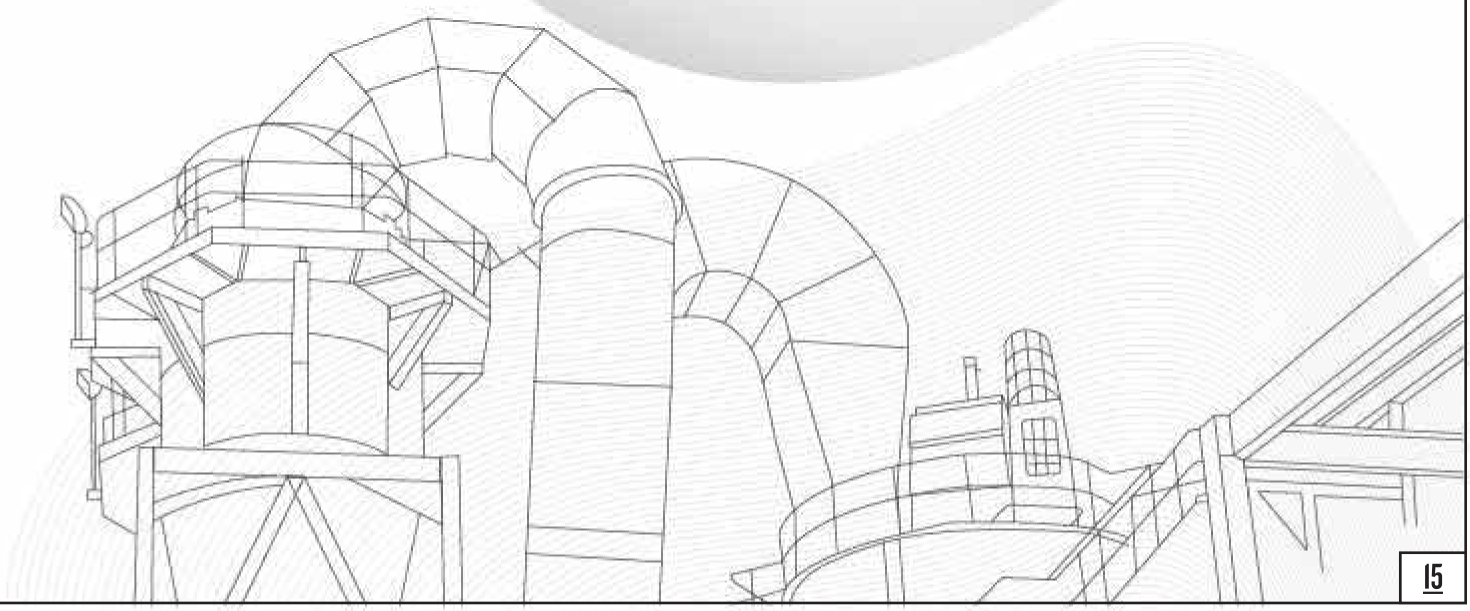
$40m

1H $14m | 2H $26m

Underlying EBIT

16%

of Group sales revenue



EUROPE

Europe Metals is one of the leading metals recyclers in the UK operating 35 wholly-owned facilities across the United Kingdom, with some 612 employees. In FY16, Europe Metals accounted for 16% of the Company's total sales revenue, with sales of 1.4 million tonnes of ferrous and non-ferrous secondary metals to domestic and export customers.

EXTERNAL OPERATING ENVIRONMENT

The UK economy continued to expand in FY16. Annual GDP growth of 2.2% in Q2 of calendar 2016 remained healthy relative to many developed economies. However, the decision by the UK in June 2016 to leave the EU has cast significant uncertainty on the outlook. Subsequent to the vote to exit, the British pound sterling fell by a meaningful 8% against the US dollar in June 2016.

In the near-term, a lower currency should prove positive for secondary metal exporting from the UK. A decline in the British pound sterling improves the competitiveness of UK-origin material in international markets and should drive higher returns in local currency terms. A boost from export markets would help offset a decline in demand from domestic UK steel mills, where crude steel output fell 30% in FY16 due to several large mill closures and production slowdowns.

PERFORMANCE

Sales revenue for Europe Metals in FY16 was 27% lower compared to FY15. At constant currency, sales revenue was 32% lower compared to FY15 primarily due to lower average selling prices and sales volumes.

Underlying EBIT of $18.6 million in FY16 was 24% lower compared to FY15. The impact of lower sales volumes and lower average sales prices led to a 16% reduction in metal margin which was partially offset by a 14% reduction in controllable costs, on a constant currency basis.

Similar to the other geographies, underlying earnings materially strengthened in the second half compared to the first half. Underlying EBIT of $16.5 million in 2H FY16, lifted from $2.1 million in 1H FY16. The better result was driven by lower costs and a 24% increase in volumes, as the business repositioned sales toward export markets. The 2H FY16 underlying EBIT was the strongest half since 2008.

STRATEGIC DEVELOPMENT

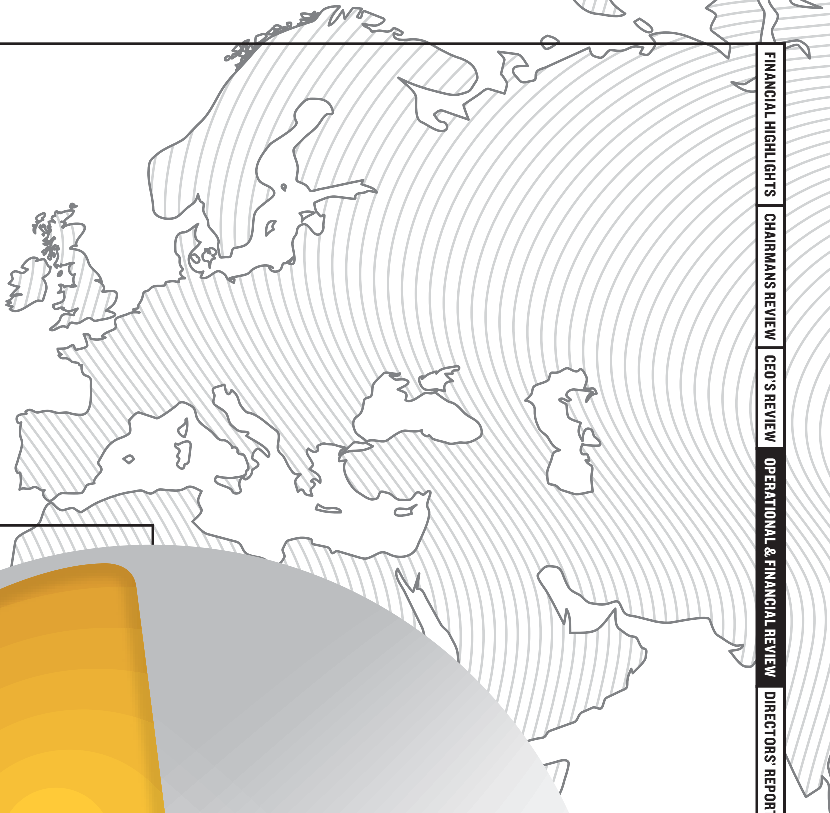
During FY16, six facilities were idled as part of the resetting plan to balance the operational footprint to current lower volume conditions. These locations were smaller facilities without shredding, port, or significant processing capacity. In addition to changes to the operating footprint, overhead costs were further streamlined in FY16. Employee headcount was reduced by 13% over the previous fiscal, year creating a leaner fixed base cost structure.

In FY17, Europe Metals will be implementing further metal recovery technologies and enhancements which are expected to deliver additional benefits.

GOING FORWARD

As the operations of the Europe Metals business are located in the UK, the decision by that country to leave the European Union has created uncertainty around future trade and economic growth. More recent economic data suggests GDP growth may be slowing. Currently, however, conditions for metals recycling in the UK remain healthy.

In the year ahead, the Europe Metals business is expected to realise the full benefit from recent resetting initiatives accomplished in FY16. In addition, further internal Optimisation initiatives are planned for delivery over the course of FY17 and FY18. These initiatives include continued reductions in overhead costs, improving non-ferrous metal fines recovery rates, and a redesign of the Avonmouth shredder and port facility which is expected to improve material flow patterns leading to greater operational efficiency in processing and transport.



SALES REVENUE

$759m

1H $372m | 2H $387m

$32m

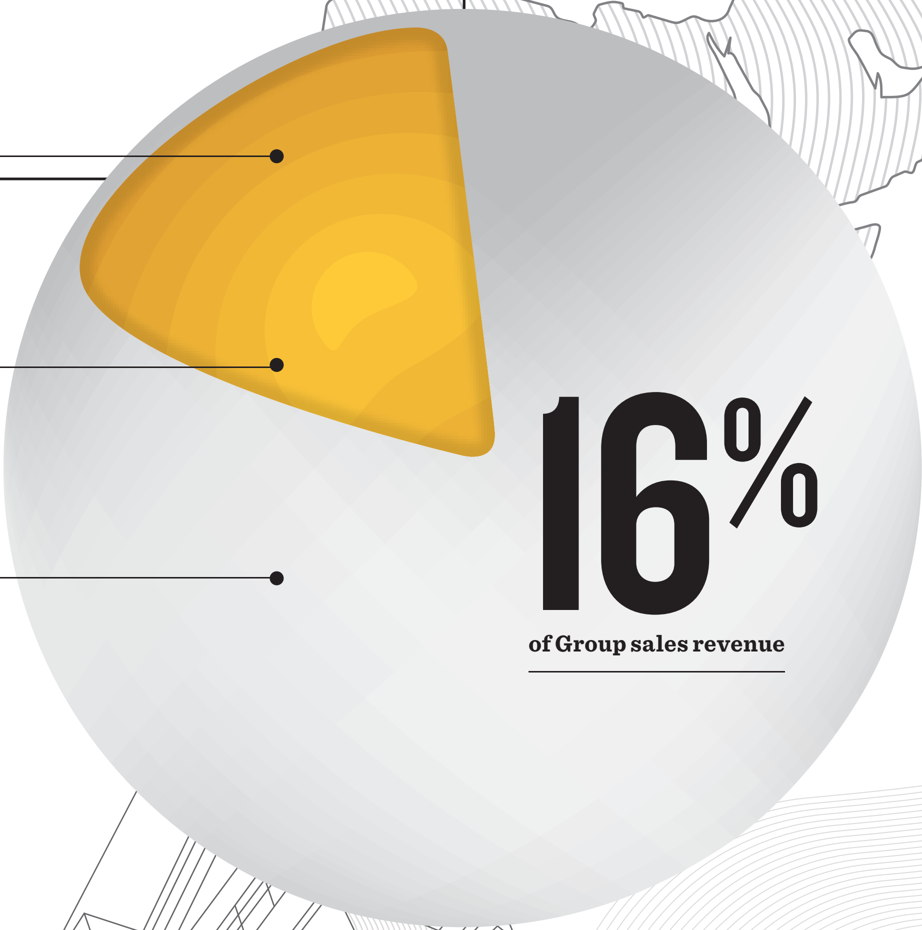
1H $9m | 2H $23m

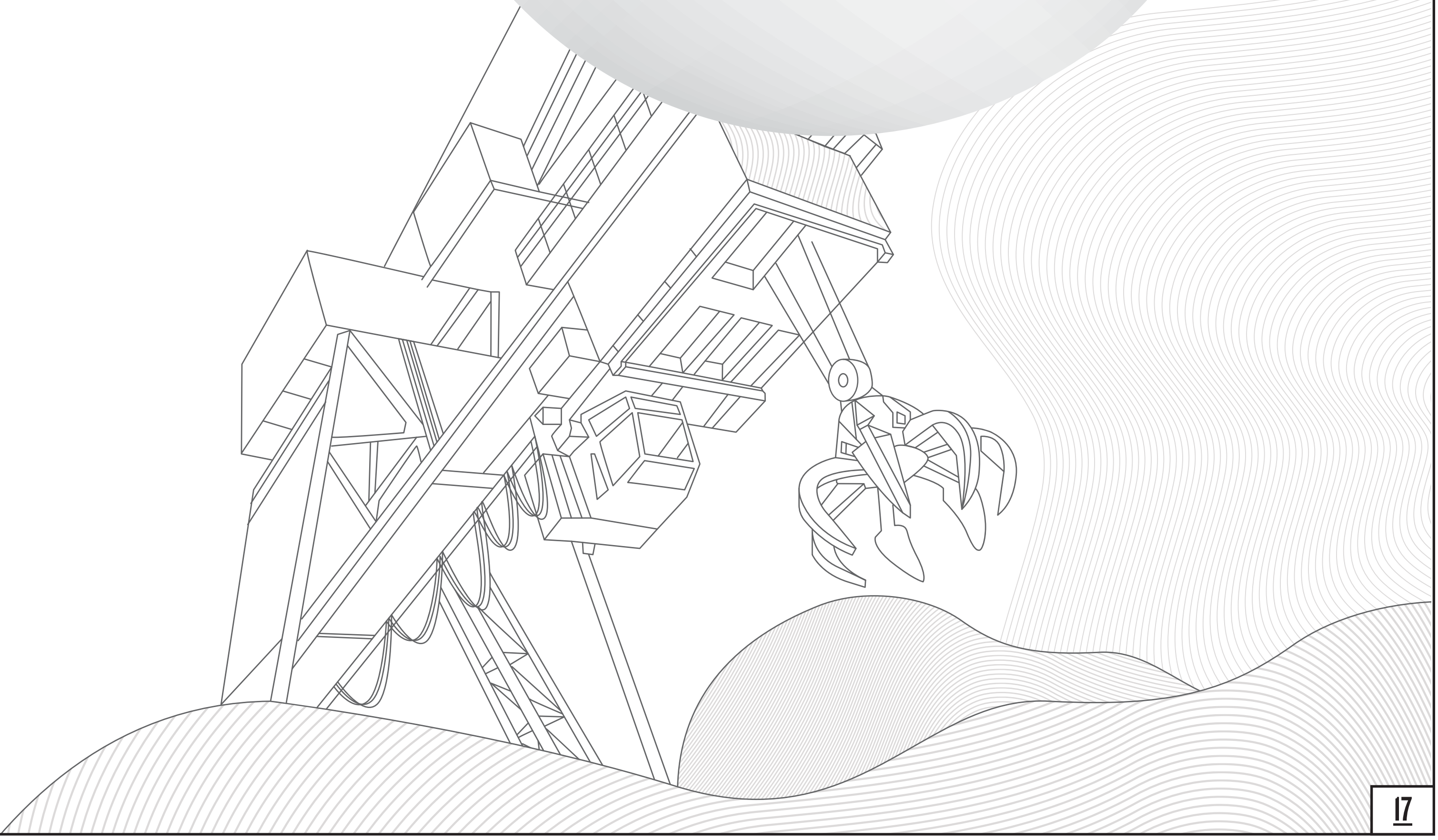
Underlying EBITDA

$19m

1H $2m | 2H $17m

Underlying EBIT





GLOBAL E-RECYLING

Global E-Recycling, which operates under the name Sims Recycling Solutions (SRS), is a global leader in electronics reuse and recycling with operations across 16 countries, with some 1,481 employees. SRS provides disposition services for all types of retired electronic equipment to local, national and global customers in every business sector including data centers, healthcare, and financial services. In FY16, SRS accounted for 17% of the Company's total sales revenue.

EXTERNAL OPERATING ENVIRONMENT

The 15% rally during FY16 in the price of gold, which is one of the key commodities recovered from electronics recycling, provided a tailwind to the industry during the second half. However, challenges across the industry remain. The prices for other key recovered commodities, such as copper and plastics, fell throughout the fiscal year, while competitive and regulatory issues continue to impact local market dynamics.

The longer-term outlook for the electronics recycling industry is attractive. Total e-waste generated in 2014 contained an estimated 16.5 million tonnes of iron, 1.9 million tonnes of copper, and 300 tonnes of gold, as well as silver, aluminium, palladium, plastic and other resources with a combined estimated value of US$52 billion. Given continued growth of electronic components in all manner of consumer items, and the need for its sustainable reuse or recycling, this generation of e-waste is expected to rise.

PERFORMANCE

Sales revenue for Global E-Recycling in FY16 was flat compared to FY15. However, on a constant currency basis, sales revenue was down 8% compared to FY15. The lower sales revenue was primarily due to lower precious metals prices, primarily in the first half of FY16.

Underlying EBIT of $7.6 million in FY16 was 83% lower than FY15. On a constant currency, underlying EBIT was $7.5 million. The lower profitability of Global E-Recycling in FY16 was primarily due to lower operating income from US E-Recycling and Continental Europe. US E-Recycling had an underlying EBIT loss of $2.3 million which, among other factors, led to a goodwill impairment charge of $41.6 million. Underlying EBIT for Continental Europe was 73% lower than FY15, primarily due to operations in Germany.

Underlying earnings strengthened in the second half compared to the first half. Global E-Recycling underlying EBIT increased to $8.1 million in 2H FY16, from slightly below break-even in 1H FY16. The 2H FY16 improvement was driven by stronger precious metal prices and better results in Continental Europe. However, the US business continued to be challenged by market overcapacity, an issue which will be addressed through resetting initiatives in FY17.

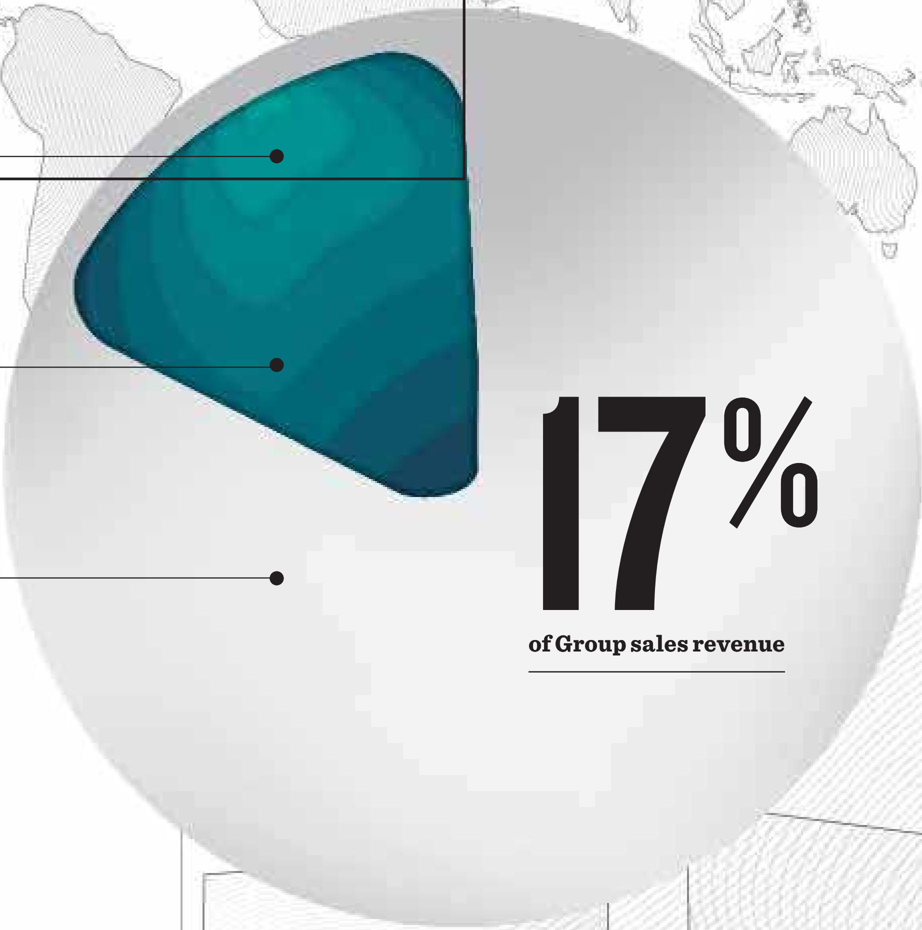
STRATEGIC DEVELOPMENT

Global E-Recycling employee headcount was reduced by 13% over the previous fiscal year, the majority of which was in the US. The reduction in headcount partially related to the closure of two facilities in the US which took place in early FY16. In addition, a further two operations in the US were identified to be closed as part of the resetting plan to consolidate e-waste shredding into a single-site large scale facility.

The restructure of the US e-recycling operations is expected to be complete during FY17. Once finalised, e-waste shredding operations will be consolidated at the business' large scale and centrally located facilities outside Nashville, TN. The realignment of operations is expected to lift equipment utilisation on a lower cost footprint, while also create cleaner separation of operations between the distinct e-waste commodities recycling and asset management business lines.

GOING FORWARD

The restructure of e-waste shredding operation in the US is expected to eliminate significant inefficiencies from underutilised capacity. During FY16, this inefficiency created a negative drag on underlying EBIT of $7 million, which is expected to be eliminated once the restructure is complete in FY17.



SALES REVENUE

$793m

1H $427m | 2H $366m

$19m

1H $6m | 2H $13m

Underlying EBITDA

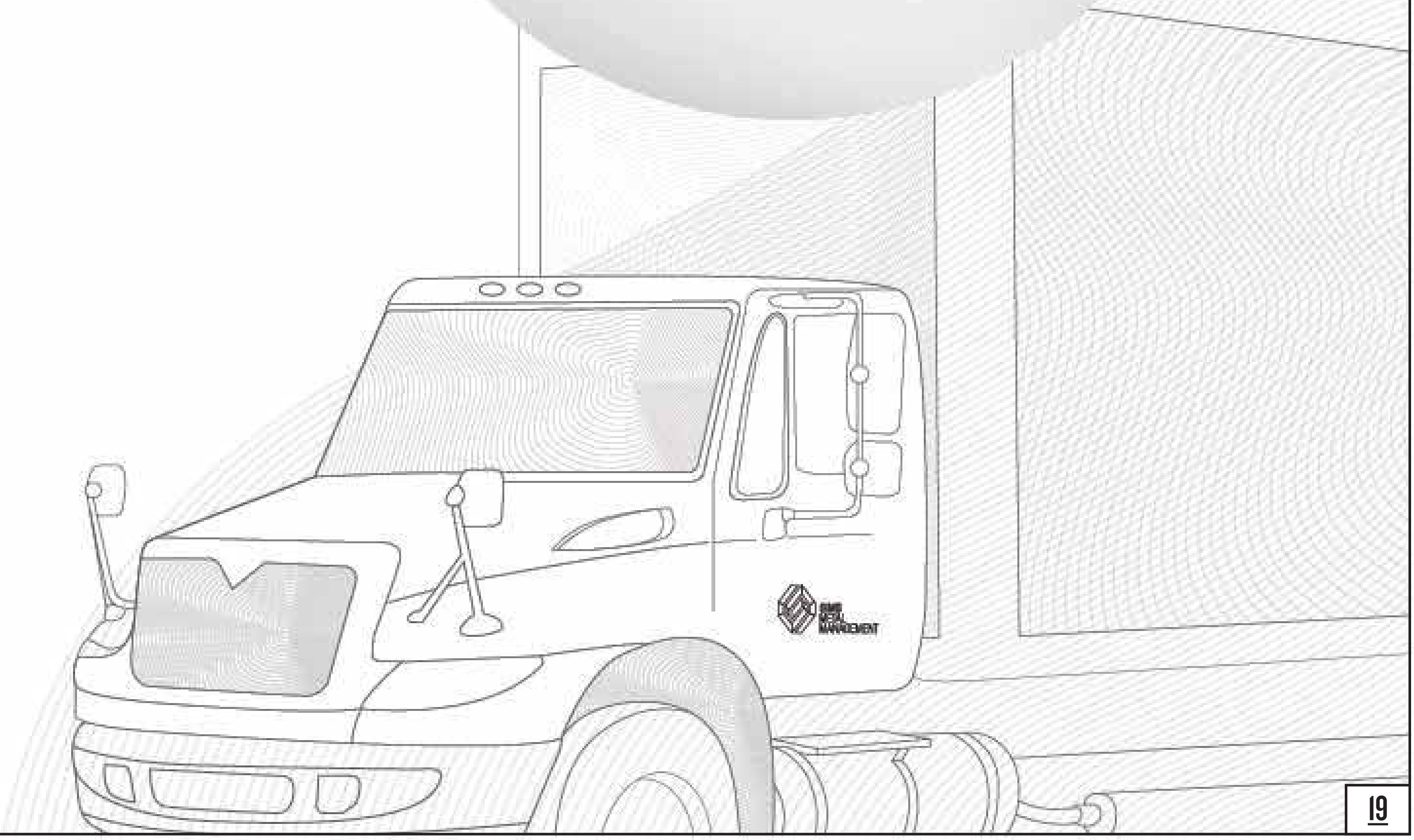
$8m

1H $0m | 2H $8m

Underlying EBIT

17%

of Group sales revenue



SPOTLIGHT ON THE BUSINESS

20-YEAR
contract as New York City's curbside recycler

500,000
tons per year of material recycled

15,000
onsite education visitors since opening

SIMS MUNICIPAL RECYCLING

Since 2002, Sims Municipal Recycling (SMR) has worked with the City of New York (NYC) as its private sector partner, responsible for processing and marketing all of the City's commingled curbside recyclables. From its inception, SMR built on the history and resources of Sims Metal Management, and the North America Metals East Region in particular, to excel in a segment of the recycling industry typically controlled by waste management companies. Our expertise in materials processing, marketing, logistics, technology, and the management of industrial operations has provided a solid foundation for reliable and efficient recycling of bottles, cans, plastics and paper.

Through its partnership with NYC, SMR has developed, and operates, five facilities. These facilities include two collection facilities in the Bronx and Queens, NY, where the business is co-located with metal recycling operations sharing space, scales, mobile equipment, personnel, and docks. SMR also operates two large-scale Materials Recovery Facilities (MRF) in Jersey City, NJ and Brooklyn, NY. In addition, SMR operates an advanced glass processing plant at the Company's Claremont Terminal operations in Jersey City, NJ.

SMR's first MRF facility was built in 2003 at the Claremont Terminal facility in Jersey City, NJ. The Claremont MRF is now one of the largest in the New York/New Jersey region, and also serves as an R&D facility where innovations in new processing methods for residential recyclables are researched.

In 2013, the newest MRF was opened in Sunset Park, Brooklyn. Situated on an 11-acre pier, the Sunset Park MRF is the largest and most sophisticated plant for commingled residential recyclables in North America. Sunset Park includes other sustainable features such as bio-swales for storm water management, one of the largest solar installations in NYC, and NYC's first commercial wind turbine.

In addition to serving the 8.5 million residents of NYC, SMR now processes curbside recyclables from several hundred New Jersey municipalities, as well as managing a portion of the Chicago curbside program. In total, SMR processes and markets nearly 500,000 tons per annum of municipal curbside material, and has approximately 200 employees.

One thing that differentiates municipal recycling from metal and electronics recycling, is that it is almost exclusively oriented toward post-consumer household material. It is this relationship with the general population that led SMR to develop its public outreach program. This includes a Recycling Education Center at Sunset Park which, since opening in September 2014, has seen more than 15,000 visitors.

LMS ENERGY

LMS Energy Pty Ltd, the renewable energy company of which Sims owns 50%, entered its twentieth year of business in FY16. From humble beginnings, LMS has become a leader in the bioenergy sector of the renewable energy industry, and continues to achieve outstanding operational performance. It is one of the few companies globally to offer a complete, in-house service for energy recovery, and instrumental in providing on-going environmental benefits for the community.

LMS has leading utilisation rates to generate and export electricity to the national grid from multiple sites, operating 23 renewable power generation projects across Australia, with a total installed capacity of approximately 54 megawatts. More than 380,000 megawatt hours of renewable energy was generated by LMS in FY16, resulting in the creation of over 380,000 Large-scale Generation Certificates. LMS remains the largest bioenergy generator of LGCs in Australia. In FY16, LMS achieved an estimated 2.9 million tonnes (CO2e) of carbon abatement across all of its activities.

LMS has 39 carbon abatement projects accredited under the Emission Reduction Fund, a voluntary scheme that aims to provide incentives for a range of organisations and individuals to adopt new practices and technologies to reduce their emissions. Eligible activities under the ERF allow participants to earn Australian Carbon Credit Units, with one ACCU earned for each tonne of carbon dioxide equivalent (tCO2-e) stored or avoided by a project. LMS has been issued more than 50% of all ACCUs under the landfill gas methodologies.

Following the passing of legislation in June 2015, the Renewable Energy Target in Australia is now firmly set at 33,000 Gigawatt hours by 2020. This target will double the amount of renewable energy currently being produced, and will require over 5,000 megawatts of new renewable energy projects by 2020. Consequently, LMS entered FY16 with far greater certainty in the market, providing the platform to expand its expertise in the renewables sector by restructuring its business into two business lines. LMS will continue operating and expanding bioenergy projects, while a new subsidiary, Joule Energy, will focus on solar and other renewable energy technologies.

In April 2016, Joule was awarded a government funding grant from the Australian Renewable Energy Agency for a pilot landfill solar project in Victoria. This project will see a 100kW solar PV system installed on a landfill later this year, which will be the first of its kind in Australia.

23
renewable power generation projects in Australia

54
megawatts of total installed capacity

2.9M
tonnes of CO2e abatement

SUSTAINABILITY

23% reduction in waste disposal

11% lower global water consumption

20% drop in energy usage

84% of facilities worldwide with zero recordable injuries

IMPROVED GENDER BALANCE as Company continues to pursue its objective of greater workplace diversity.

KEY PARAMETER	REGION	FY16	FY15	CHANGE (%)
Energy Use	North America Total (GJ)	998,516	1,326,067	(25)
	Europe and UK Total (GJ)	344,885	416,619	(17)
	Asia Pacific Total (GJ)	523,635	598,611	(13)
	Group Total (GJ)	**1,867,036**	2,341,297	(20)
CO2 Emissions	North America Total (tCO2e)	92,503	119,306	(22)
	Europe and UK Total (tCO2e)	31,138	37,270	(16)
	Asia Pacific Total (tCO2e)	63,993	69,472	(8)
	Group Total (tCO2e)	**187,634**	226,048	(17)
	Scope 1 (tCO2e)	82,241	105,213	(22)
	Scope 2 (tCO2e)	105,393	120,835	(13)
Water Consumption	North America Total (Mega Litres)	301	357	(16)
	Europe and UK Total (Mega Litres)	164	192	(15)
	Asia Pacific Total (Mega Litres)	84	70	20
	Group Total (Mega Litres)	**549**	619	(11)
Waste Generation	North America Total (Tonnes)	596,023	774,314	(23)
	Europe and UK Total (Tonnes)	206,535	286,541	(28)
	Asia Pacific Total (Tonnes)	238,268	282,236	(16)
	Group Total (Tonnes)	**1,040,826**	1,343,091	(23)
Key OH&S Indicators	Group LTIFR (LTIx1,000,000/exposed hours)	2.1	1.9	11
	Group MTIFR (MTIx1,000,000/exposed hours)	5.0	9.3	(46)
Number of employees	Male	3,865	4,413	(12)
	Female	891	1,016	(12)
	Group Total	**4,756**	5,429	(12)
Training	**Group Total Hours (Corporate training only)**	**156,465**	150,512	4

This section provides a summary of our sustainability activities and performance during the past fiscal year. For a full set of infomation, look for our updated sustianability report on our website simsmm.com

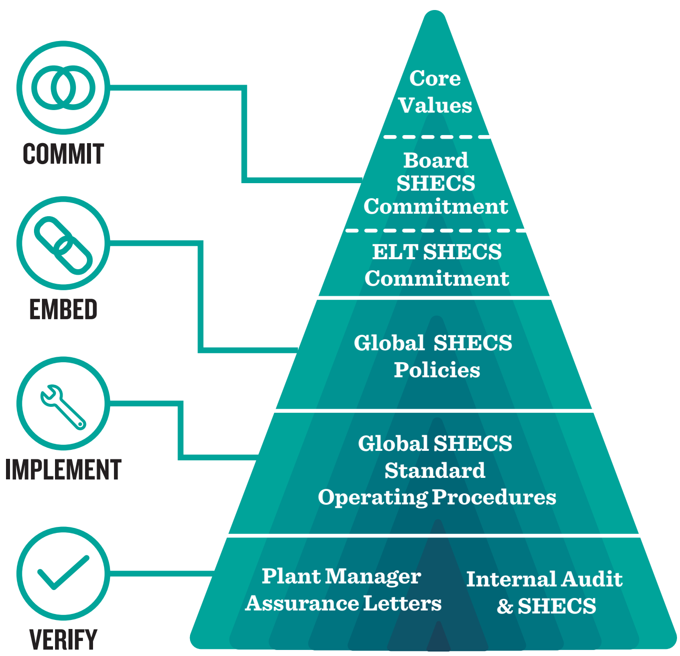
SAFETY AND SUSTAINABILITY POSITION SIMS FOR GROWTH

As a recycling company for nearly 100 years, sustainability is embedded into the core of Sims Metal Management, permeating everything we do. We aim to be the world's safest and most responsible recycling company by developing a zero harm workplace for employees and all visitors to our facilities; being an exemplary member of the communities in which we operate; and being responsible stewards of the environment. And while we are proud of our track record of sustainability leadership, we are continually raising the bar to do even better.

Our performance data demonstrates consistent improvements year-on-year, not only in safety but also in our key environmental impact areas: energy, waste and water. This has been recognized by many external agencies and analysts for several years. Sims was one of the first organizations to participate in the Carbon Disclosure Project (CDP), 2016 being our 11th year of participation. Similarly, we have been part of the Dow Jones Sustainability Index (DJSI) for nine years, in which we have earned a place as an Index Component. We understand, however, that raw number metrics may not tell the whole story and therefore we are looking to normalise the numbers against the effects of externalities such as reduced production or number of operating facilities.

The true driver of the success of our five-year plan lies in continually renewing our culture, built around our core values of safety, integrity, respect, transparency, excellence, and social responsibility. Our culture and core values are what bind us together, across regions and responsibilities, and help drive us toward the ambitious goals within and beyond our five-year plan. These core values determine who we are as a company and are the foundation of everything we do; they set the standard for the way we interact with employees, customers, communities, shareholders and other stakeholders.

DRIVING SAFETY AND SUSTAINABILITY PERFORMANCE



SUSTAINABILITY GOVERNANCE: FROM BOARDROOM TO SHOP FLOOR

At Sims, we have a clear "line of sight" between our core values and SHECS commitments right down to the day-to-day operations at our sites globally. A Board of Directors - Safety, Health, Environment, Community and Sustainability Committee has been in place since 1991. The Committee charter was revised and updated in 2015 to reflect an even greater focus on sustainability. Our Board SHECS Committee meets at least four times each year; the meetings are often a part of multi-day board meetings and events, including plant operations and safety reviews. In addition, between board meetings, the Chairman of the Board SHECS Committee is in direct and frequent communication with the Group VP of SHEC and Sustainability, as well as the CEO, regarding over-arching issues and goals (vs. the nuts-and-bolts of the SHECS program).

» *Robust policy hierarchy.* Our core values are embedded into daily operations via specific global SHECS policies on safety and health, energy and carbon, environment, biodiversity, community, and human rights. Those global policies are implemented daily through the global SHECS standard operating procedures (SOPs).

» *Integrated reporting.* Sims has been a strong proponent of integrated reporting for decades. Since 2000, we have provided a key section on environment, safety, community and sustainability as part of our formal annual reporting.

» *Stand-alone sustainability report.* In 2015, we decided to supplement our Annual Report section with a detailed stand-alone sustainability report to highlight commitments and accomplishments. This report is available on our website.

» *Enterprise risk management review.* This year, Sims engaged an independent third party to conduct a comprehensive review of internal and external risks facing the organization. SHECS considerations were pivotal in this work.

» *Audit and self-verification.* We are committed to the principle of: "Trust but verify." During 2015, we upgraded our Internal Audit function to more explicitly review and confirm conformance with internal procedures and controls around safety. In addition, we implemented a "self-verification process." Self-verification is a process to systematically check that the requirements of our best-in-class procedures are being carried out by our sites. Plant Managers complete an audit and sign off stating that their operations are adhering to expectations – and, where not, action plans are in place and being implemented to bring the sites into conformance with standards.

SAFETY FIRST

Our sustainability initiatives all start with a focus on safety. Some recent highlights include:

» *Significant injury and incident prevention.* Throughout fiscal year 2016 we focused on identifying and reducing high risk injuries and incidents associated with our operations. We track all injuries and incidents including first aid, near misses, property damage, motor vehicle etc., through a safety incident reporting tool. We analyze performance data to help us understand how well our systems are working, map early trends, and ultimately get a better understanding of our key safety risks. Our approach encompasses developing global best-in-class policies, education, employee engagement and leadership accountability. This allows us to directly target and significantly reduce these incidents.

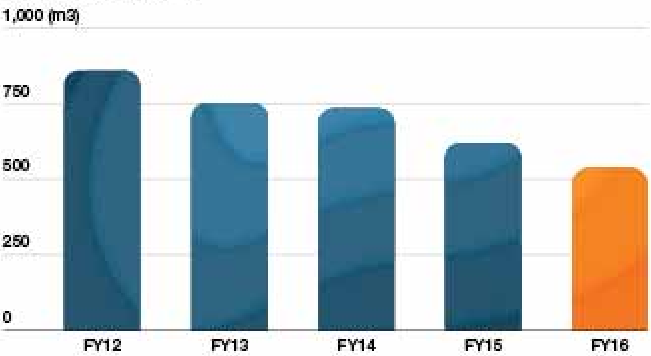
» *Safety and global SOPs:* Globally, Sims has continued to implement new Standard Operating Procedures (SOPs) that were launched in FY15. The order of the SOP's has been determined based on importance to safety, as well as severity and likelihood of injury. We have effectively implemented a process of self-verification to ensure compliance with our global policies.

» *Yard manager accountability.* Every Yard Manager is continually engaged to ensure that all work being carried out at their yard is in accordance with the global policy and best practice. We leverage our Internal Audit Group, accompanied by an independent SHECS expert from another region of the Company, to audit the process. Key findings are shared (via Safety Alerts) with yards around the world. We have significantly reduced the number of incidents by targeting leading causes of injuries, especially high risk injuries.

SAFETY

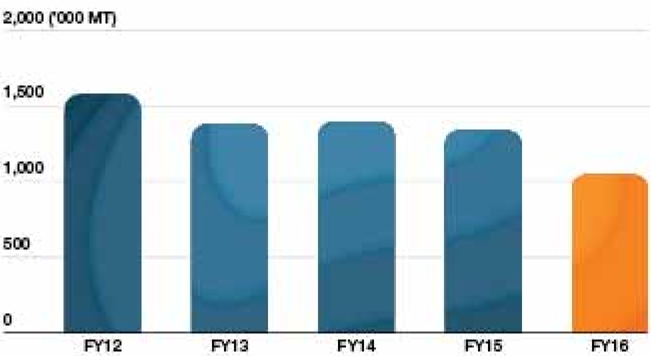
TOTAL ENERGY USE

WATER CONSUMPTION

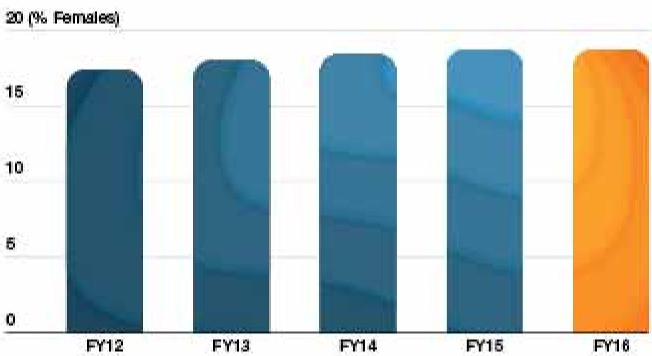


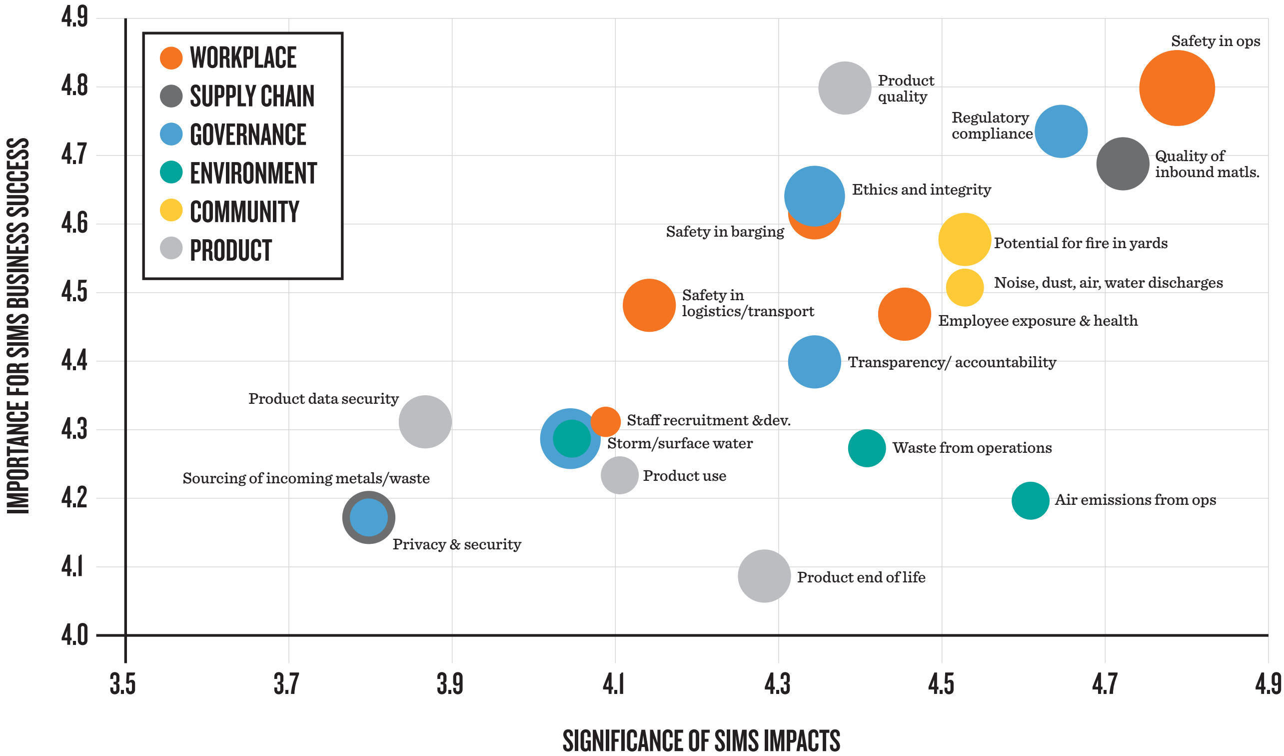
GREENHOUSE GAS

WASTE



DIVERSITY





- *Education.* A new global safety initiative is the distribution of personalized safety videos with an introduction by our CEO. Videos cover many areas of safety on the job and in the home. Topics have included: Fire Prevention, Fall Protection, Working Safely with Chemicals and Hand Safety.

LOOKING AHEAD

As we look to the future, a new set of 2020 sustainability goals, based on an updated materiality assessment, will drive us forward.

Materiality Assessment

We are currently updating our materiality assessment with a comprehensive analysis of our impacts, the importance of key issues to our stakeholders and to the future success of Sims, and our ability to control the outcomes. The materiality assessment is an excellent tool to demonstrate to the various stakeholders that we value their opinion and help us develop meaningful strategies as we move forward with our sustainability initiatives.

2020 Goals

We set our first set of long-term sustainability goals back in 2009 – aggressive targets for energy, water and waste reduction. As 2015 approached, we had exceeded those goals and set a new round of 2020 goals –based on a 2014 baseline. The focus of these goals is on the Company's most material environmental and societal impacts: petroleum use, electricity, water and waste. The 2020 goals were approved by our Board in late 2015.

Sims 2020 Sustainability Goals

Fleet Transportation

- Fleet petroleum: 10% reduction over a 2014 baseline, normalized by tons processed
- No idling vehicles or mobile equipment in yards: 100%

Energy Efficiency

- Electricity: 10% reduction over a 2014 baseline, normalized by tons processed
- Renewable energy: 5% of total energy use

Waste and Recycling: ASR waste to landfill: 10% weight reduction over a 2014 baseline, normalized by tons processed

Water Use: 10% reduction over a 2014 baseline, normalized by tons processed

Reward and Recognition

We are pleased to have recently received external recognition of our sustainability work by two leading independent organisations. In a recent comprehensive research report called 'The Seven Pillars of Sustainability Leadership', The Conference Board highlighted Sims' Board of Directors Commitment Letter as a best-in-class example of Sustainability Leadership. And, as we go to press with this report, the National Association of Corporate Directorship (NACD) is publishing an article about Sims in its September/October 2016 issue of NACD Directorship. A copy of our Board SHECS Commitment may be found on our website.

To further drive performance improvement within the Company, a new safety and sustainability awards program, featuring a CEO Award for Safety and Sustainability Performance, will be launched this year.

The Path Forward

Business has always been a rapidly changing landscape. Companies that adapt rapidly will succeed and flourish. In today's world, with restricted resources, global interconnectivity and population pressures on energy, waste and water, the ability to do more with less has become an imperative for survival.

At Sims, our core business has always been - and remains – the "closed-loop" circular flow of metals and, more recently, of electronics, to continually extract value. As the world comes to grips with climate change and a rapidly surging middle class, pressure on resources will continue. This presents an even stronger business case for recycling.

The nature of our business, our global reach, our leadership, and the commitment of our employees, all point to a future of sustainable innovation and growth. Moving briskly toward embracing "circular economy" principles is the road to value creation for tomorrow's leaner, fitter, more resilient, and transparent company. We are progressing on this journey with haste.

BOARD OF DIRECTORS

GEOFFREY N BRUNSDON
B Comm
Age 58
Chairperson 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 67
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) and Apex Tool Group (since December 2014) and is Chairman of the Audit Committee of both companies and a member of the Compensation Committee of Groupon Inc. 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.

GALDINO CLARO
B Mech Eng
Age 57
Group chief executive officer and managing director

Mr Claro was appointed Group Chief Executive Officer and Managing Director of the Company on 4 November 2013. He is a member of the Safety, Health, Environment, Community & Sustainability Committee, the Nomination/Governance Committee and the Finance & Investment Committee. Mr Claro has nearly 30 years of global executive leadership experience in the worldwide metals industry. He served as Executive Vice President and Chief Executive Officer of Metals & Minerals at Harsco Corporation from July 2010 to November 2013. He also held various executive positions over a twenty year period with Alcoa Inc such as President of Alcoa China based in Beijing, China and President of Alcoa Extrusions Europe based in Geneva, Switzerland among others. Mr Claro has a Mechanical Engineering background.

JOHN T DILACQUA
MBA
Age 64
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 an MBA from Carnegie Mellon University. Mr DiLacqua is a Certified Public Accountant.

GEORGIA NELSON
BS, MBA
Age 66
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 an MBA from the University of Southern California and a BS from Pepperdine University.

The Company seeks to ensure that the Board has a range of attributes necessary for the governance of a global organisation. The Board regularly reviews its skills and performance against the expectation that it will provide outstanding governance; have appropriate input to and development of strategy; establish and oversee a clear risk management framework; set challenging performance targets in all aspects of the Company's activities; and understand the operations of the Company.

DEBORAH O'TOOLE
LLB, MAICD
Age 59
Independent non-executive director

Ms O'Toole was appointed as a director in November 2014. She is a member of the Risk, Audit & Compliance Committee, the Finance & Investment Committee and the Remuneration 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 Boart Longyear Limited (since September 2015), Credit Union Australia and the Wesley Research Institute.

CHRISTOPHER J RENWICK
AM, FAIM, FAIE, FTSE – BA, LLB
Age 73
Independent non-executive director

Mr Renwick was appointed as a director in June 2007. Mr Renwick is Chairperson of the Remuneration Committee, and is a member of the Safety, Health, Environment, Community & Sustainability Committee and the Nomination/Governance Committee. Mr Renwick was employed with the Rio Tinto Group for over 35 years, rising, in 1997, to Chief Executive, Rio Tinto Iron Ore, a position he held until his retirement in 2004. He has previously served as Chairman and director of Coal and Allied Industries Limited (2004 to 2011), Chairman of the Rio Tinto Aboriginal Fund (2004 to 2011) and director of Downer EDI Limited (2004 to 2010). Mr Renwick is a director of South East Regional Touring Opera Company Limited, a "not-for-profit" public company limited by guarantee, which operates as "Melbourne Opera", and Bayley House Foundation Ltd, which is trustee for Brighton & Helping Hand Association for Intellectually Disabled Inc Foundation.

HEATHER RIDOUT
AO BEc (Hons)
Age 62
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 was formerly the Chief Executive Officer of the Australian Industry Group from 2004 until her retirement in April 2012. She is a member of the Board of the Reserve Bank of Australia (since December 2011), and is a director of Australian Securities Exchange Limited (since August 2012) and Chair of the AustralianSuper Trustee Board, the largest industry fund in Australia. Mrs Ridout also serves on the Board of the Australian Chamber Orchestra and is a member of ASIC's External Advisory Panel. She has an economics degree, with honours, from the University of Sydney.

TAMOTSU (TOM) SATO
BA
Age 64
Non-independent non-executive director

Mr Sato was appointed as a director in April 2013. He is Mitsui & Co., Ltd's nominated non-independent 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 Executive Director of Mitsui Coal Holdings (2002–2004) based in Brisbane, 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 66
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$9 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.

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 made in currencies other than the Australian dollar. In addition, a significant portion 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 referred to below are shown 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		
	2016	**2015**	**% Change**	**2016**	**2015**	**% Change**
US dollar	0.7283	0.8382	(13.1)	0.7426	0.7680	(3.3)
Euro	0.6561	0.6963	(5.8)	0.6699	0.6866	(2.4)
Pounds sterling	0.4914	0.5307	(7.4)	0.5549	0.4885	13.6

As at 30 June 2016, the cumulative effect of the retranslation of net assets of foreign controlled entities (recognized through the foreign currency translation reserve) was A$77.8 million compared to A$114.1 million as at 30 June 2015.

REVENUE

Sales revenue of A$4,651.7 million in FY16 was down 26.3% compared to sales revenue of A$6,310.9 million in the year ended 30 June 2015 ("FY15"). At constant currency, sales revenue was down 33.0% primarily due to lower sales volumes and lower average scrap metal prices. Sales volumes declined by 18.4% to 8.551 million tonnes in FY16 versus 10.481 million tonnes in FY15 due to lower intake volumes driven by lower prices. Average selling prices were lower for both ferrous and non-ferrous metals as prices dropped in the first half of FY16.

EARNINGS

Statutory net profit after tax ("NPAT") in FY16 was a loss of A$216.5 million compared to NPAT of A$109.9 million in FY15. Underlying NPAT was A$38.0 million in FY16, which was 62.6% lower than FY15. The decline was primarily attributable to lower metal margins as a result of weak industry conditions throughout most of FY16. The decline was partially offset by a reduction in operating expenses as the Group undertook resetting actions in response to market conditions. See the Reconciliation of Statutory Results to Underlying Results included below for more information.

Statutory earnings before interest and tax ("EBIT") from continuing operations in FY16 was a loss of A$215.5 million compared to EBIT of A$144.8 million in FY15. Underlying EBIT from continuing operations of A$58.0 million was 59.1% lower than FY15. The decrease in underlying EBIT was primarily due to lower operating income from all the Group's segments.

Statutory diluted loss per share was 106.8 cents in FY16 compared to statutory diluted earnings per share of 53.3 cents per share in FY15. Underlying diluted earnings per share was 18.6 cents in FY16 compared to 49.2 cents in FY15.

The Directors have determined to pay a final dividend for FY16 of 12 cents per share (FY15: 13 cents per share), which will be fully franked. On 31 March 2016, an unfranked interim dividend for FY16 of 10 cents per share was paid.

Reconciliation of Statutory NPAT to EBITDA

	Year ended 30 June	
	2016 A$m	**2015 A$m**
Statutory net (loss)/profit after tax	**(216.5)**	**109.9**
Results from discontinued operations	-	(0.1)
Goodwill and intangible impairment charges	53.0	-
Impairment of investment in joint venture	119.1	-
Depreciation and amortisation	126.4	120.8
Net interest expense	9.7	7.8
Income tax (benefit)/expense	(8.7)	27.2
Statutory EBITDA	**83.0**	**265.6**

RECONCILIATION OF STATUTORY RESULTS TO UNDERLYING RESULTS

A$m	EBITDA[1]		EBIT		NPAT	
Year ended 30 June	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Statutory results from continuing operations	**83.0**	265.6	**(215.5)**	144.8	**(216.5)**	109.8
Statutory results from discontinued operations[5]	-	1.0	-	0.7	-	0.1
Reported earnings	**83.0**	266.6	**(215.5)**	145.5	**(216.5)**	109.9
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 impairment	**31.8**	-	**31.8**	-	**29.5**	-
Reversal of an impairment of loan receivable	-	(0.6)	-	(0.6)	-	(0.6)
Net impact from investment in associates	-	(2.8)	-	(2.8)	-	(2.8)
Lease settlements/onerous leases	**44.5**	(5.9)	**44.5**	(5.9)	**41.7**	(5.9)
Redundancies	**9.8**	4.0	**9.8**	4.0	**8.6**	2.7
Net expense relating to yard closure/dilapidations	**13.9**	1.4	**13.9**	1.4	**11.4**	1.4
Multi-employer pension plan withdrawal liability	-	(5.9)	-	(5.9)	-	(5.9)
Settlement of disputes with third parties	**1.4**	-	**1.4**	-	**1.4**	-
Tax asset reversal[3]	-	-	-	-	-	(3.9)
Underlying results[4]	**184.4**	**256.8**	**58.0**	**135.7**	**38.0**	**94.9**
Underlying losses from discontinued operations[5]	-	5.7	-	6.0	-	6.6
Underlying results excluding discontinued operations	**184.4**	**262.5**	**58.0**	**141.7**	**38.0**	**101.5**

1 EBITDA is a measurement of non-conforming financial information.
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 FY15 amount reflects utilisation of previously impaired US deferred tax assets.
4 Underlying results 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.
5 Discontinued operations relate to Global E-Recycling businesses in Canada and the UK.

CASH FLOW AND BORROWINGS

Cash flow from operating activities of A$131.3 million in FY16 decreased by A$166.8 million versus FY15 due to lower cash generated from operations, and lower dividends received from associates and joint ventures, partially offset by lower income tax payments and lower interest payments.

Cash used for capital expenditures was A$108.9 million during FY16 compared to A$95.3 million in FY15. Capital expenditures during FY16 were related primarily to investments in Western Australia and North America Metals. In FY15, cash consideration paid for acquisitions totaled A$5.7 million. The Group generated A$12.5 million of cash from the sale of property, plant and equipment in FY16, including assets previously classified as held for sale, compared to A$16.0 million in FY15. In FY15, the Group received A$74.5 million of cash from the sale of its interest in Chiho-Tiande Group ("CTG") and A$52.2 million of cash from the sale of a convertible bond issued by CTG.

During FY16, the Group paid cash dividends of A$46.8 million compared to A$53.2 million in FY15. In December 2015, the Group commenced a share buyback and purchased 7,945,261 ordinary shares for A$60.3 million in FY16.

At 30 June 2016, the Group had a net cash position of A$242.1 million compared to a net cash position of A$313.9 million at 30 June 2015. 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:

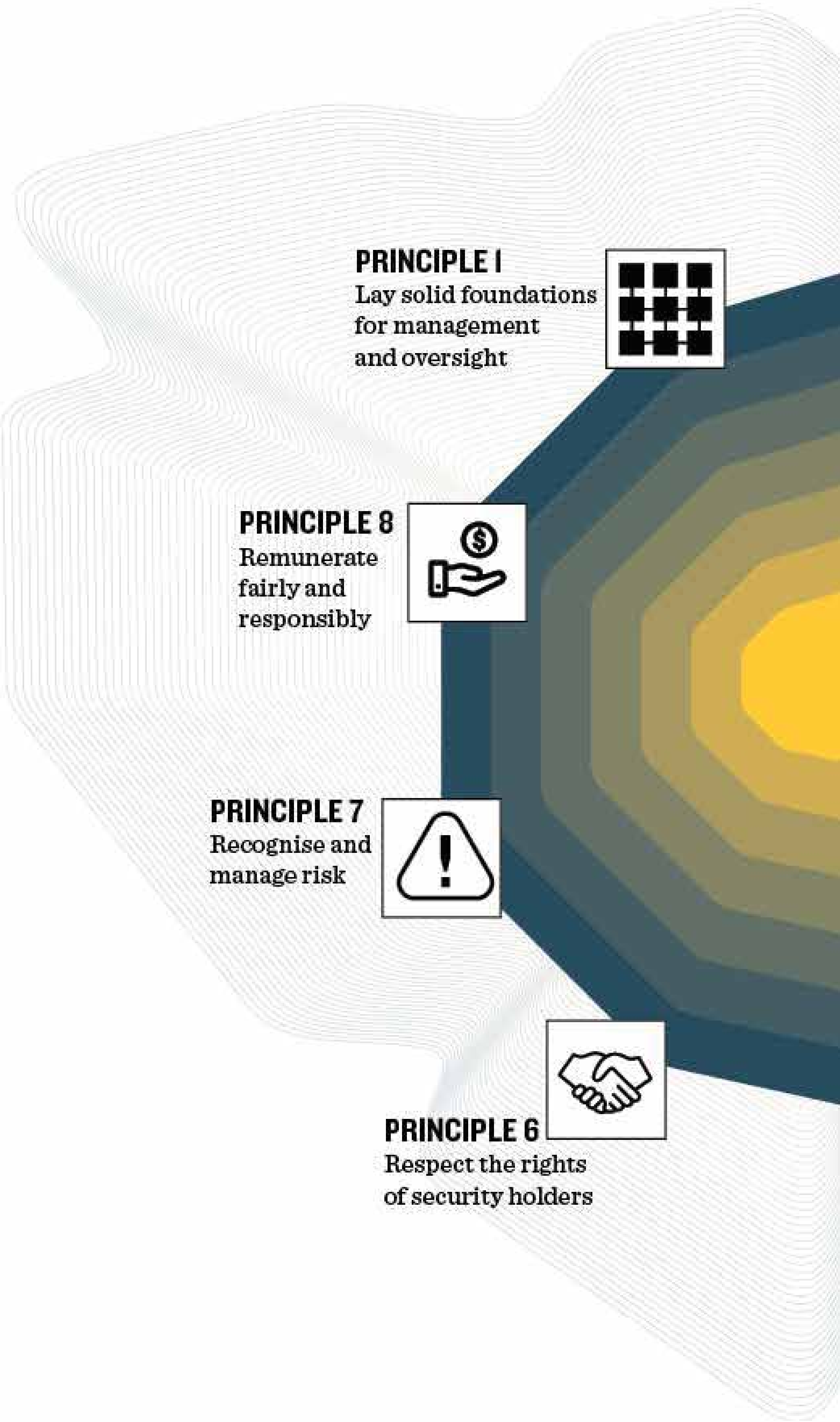
	As at 30 June	
A$ million	**2016**	**2015**
Total cash	**248.3**	316.0
Less: total borrowings	**(6.2)**	(2.1)
Net cash	**242.1**	**313.9**

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's cash flow and balance sheet position provides the capacity to fund the ongoing operational requirements of the business, as well as potential increased working capital requirements.

CORPORATE GOVERNANCE STATEMENT

The directors and management of the Company are committed to operating the Company's business ethically and in a manner consistent with high standards of corporate governance. The directors consider the establishment and implementation of sound corporate governance practices to be a fundamental part of promoting investor confidence and creating value for shareholders, through prudent risk management and a culture which encourages ethical conduct, accountability and sound business practices.

A description of the Group's corporate governance practices in place throughout the 2016 financial year is set out in the Corporate Governance Statement of the Company, a copy of which can be viewed at http://www.simsmm.com/Investors/Corporate-Governance. The Corporate Governance Statement has been prepared with reference to the Corporate Governance Principles and Recommendations (3rd edition) published by the Australian Securities Exchange Corporate Governance Council. The Company has complied with the Recommendations. The Corporate Governance Statement has been approved by the board.



PRINCIPLE 2
Structure the board to add value

PRINCIPLE 3
Act ethically and responsibly

PRINCIPLE 4
Safeguard integrity in corporate reporting

PRINCIPLE 5
Make timely and balanced disclosure

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 2016 ("FY16").

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

A review of the operations of the Group during the financial year and the results of those operations are set out in the Chairman and Chief Executive Officer's Reviews on pages 4 to 7 and the Operational and Financial Review on pages 8 to 29.

NAMES AND PARTICULARS OF DIRECTORS

The names of the Directors of the Company during the financial year and up to the date of this report together with their qualifications and experience are provided on pages 26 and 27.

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	**10**	**5**	**5**	**6**	**8**	**4**
G Brunsdon	10	5		6		4
R Bass	10	5			8	4
G Claro	10		5		8	4
J DiLacqua	10	5			8	4
G Nelson	10		5	6		
D O'Toole	10	5		2*	8	
C Renwick	10		5	6		4
H Ridout	10	5	5	6		4
T Sato	10		5		8	
J Thompson	10		5	6	8	

*Ms O'Toole was appointed as a member of the Remuneration Committee on 12 April 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
G Claro [1]	96,505
J DiLacqua	2,500
G Nelson	6,700
D O'Toole	8,000
C Renwick	13,144
H Ridout	5,000
T Sato	–
J Thompson	22,000

1 Refer to the Remuneration Report for information on options and rights held by Mr Claro.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no 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

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.

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). While the Group previously was required to report under the *Energy Efficiency Opportunities Act 2006* (EEO), that Act has been repealed and the Group is no longer required to report in this respect.

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.

DIRECTORS' REPORT

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 OPTIONS AND RIGHTS

Unissued shares

As of the date of this report, there are 10,096,546 share options outstanding and 5,339,736 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 2016. 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 20,036 ordinary shares issued upon the exercise of share options and 745,502 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 no ordinary shares issued in connection with the exercise of share options or in connection with 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*.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 109.

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.

REMUNERATION REPORT

REMARKS BY THE CHAIRPERSON OF THE REMUNERATION COMMITTEE

Dear Shareholders,

We are pleased to present our Remuneration Report for financial year 2016 (FY16).

FY16 was a difficult year for our Company, as evidenced by our large statutory loss. Notwithstanding the excellent progress made delivering on the Streamline and Optimise components of our strategic plan, very difficult market conditions prevented this progress being borne out in improved financial results. The collapse of prices in the metals recycling industry, particularly in the first half of the year, and the consequent impact on source material feedstocks, made operating conditions extremely challenging.

Cognisant of these conditions, the Committee had the onerous task of trying to balance the non-achievement of financial goals with a recognition that considerable progress had been made in reducing costs and improving efficiency. The Committee was concerned to ensure that the Group CEO and his team should believe that their efforts were being appropriately recognised. Accordingly, the Committee and the Board concluded it was appropriate to use their discretion to reflect the progress that had been made in circumstances where rewards under the Company's short-term incentive (STI) plan would otherwise not have been achieved.

During FY16, our focus had been to align our STI performance goals to the strategic plan of the Company. When market conditions precluded the budget being achieved notwithstanding continued good strategic progress being evident, the Committee and the Board took the decision to establish a discretionary pool of Restricted Stock Units (RSUs) from which to award our Executives. The RSUs to be awarded to the Executives will amount to A$2.733 million (of which A$1.05 million will be allocated to the Group CEO) and will vest, subject to the respective Executive's continued employment, one year from the date of grant.

Even though it is increasingly difficult for us to attract and hold key talent in the global labour market, particularly in the USA, we believe that the senior management we have in place, under the leadership of our Group CEO, Galdino Claro, is an excellent team. We will take sensible steps, as far as possible, to ensure that we keep the team in place, not just for the delivery of our strategic plan through to the end of FY18, but beyond.

Coupled with the fact that limited rewards have been achieved under the Company's long-term incentive (LTI) plan, the Committee and the Board were sufficiently concerned about the potential of losing any of our Executives that they took steps to address this risk by implementing a second award of RSUs. The RSUs to be awarded to the Executives will amount to A$5.817 million (of which A$2.45 million will be allocated to the Group CEO) and will vest, subject to the respective Executive's continued employment, in two equal tranches, three and four years, respectively, from the date of grant.

In relation to FY17, the STI performance goals in each portfolio of our businesses will be measured against the FY17 budget. Once again, there will be a financial gateway in the STI plan, whereby there must be a specific return on controlled capital employed (ROCCE) achieved for each part of the business, before any STI payment is made for that part of the business. As in FY16, Regional Executives will see 25% of their financial goals tied to Group ROCCE results.

The following pages outline the actual remuneration outcomes for FY16 in light of Company performance, as well as providing further detail on our remuneration framework in FY17.

Yours sincerely

Christopher Renwick
Remuneration Committee Chairperson
RemCoChair@simsmm.com

DIRECTORS' REPORT | REMUNERATION REPORT

The Remuneration Committee of the Board of Directors of Sims Metal Management Limited (Committee) presents the Remuneration Report for the Company and the Group for FY16. The Remuneration Report provides details on elements of the Company's remuneration program and actions taken by the Committee in FY16, to support the program's goal of attracting, retaining and motivating key executives who lead our businesses. The information provided in this Remuneration Report has been audited by our independent external auditor, Deloitte Touche Tohmatsu.

The Remuneration Report is set out as follows:

1 REMUNERATION SNAPSHOT

1.1 Key Management Personnel (KMP)

The Remuneration Report is focused on the Company's executive remuneration program for FY16 and proposed changes for FY17. It also explains the Committee's remuneration decisions made in FY16 for the KMP, consisting of the below NEDs and Executives.

Name	Position	Country	Term as KMP
NEDs			
Geoffrey N Brunsdon	Chairperson and Independent NED	Australia	Full Year
Robert J Bass	Independent NED	USA	Full Year
John T DiLacqua	Independent NED	USA	Full Year
Georgia Nelson	Independent NED	USA	Full Year
Deborah O'Toole	Independent NED	Australia	Full Year
Christopher J Renwick	Independent NED	Australia	Full Year
Heather Ridout	Independent NED	Australia	Full Year
Tamotsu (Tom) Sato	Non-Independent NED	Japan	Full Year
James T Thompson	Independent NED	USA	Full Year
Executives			
Executive Director and Group CEO			
Galdino Claro	Group Chief Executive Officer and Managing Director	USA	Full Year
Executives			
Fred Knechtel	Group Chief Financial Officer	USA	Full Year
William Schmiedel	President – Global Trade	USA	Full Year
Alistair Field[1]	Managing Director – Australia and New Zealand Metals	Australia	Partial Year
Stephen Skurnac	President – Global Sims Recycling Solutions (SRS)	USA	Full Year
Former Executives			
Darron McGree[1]	Managing Director – Australia and New Zealand Metals	Australia	–

1 Mr McGree's employment with the Company ended on 30 June 2015. Mr McGree entered into a consulting agreement from 1 July 2015 to 30 June 2016, as part of his agreement to transition the Australia and New Zealand Metals business to Mr Field. Mr McGree's role was succeeded by Mr Field who joined the Company on 1 October 2015.

1.2 Actual Remuneration Outcomes for FY16

Remuneration component	Outcome
Fixed remuneration	• The Remuneration Committee approved pay increase recommendations for existing Executives in FY16 after reviewing overall individual achievements and competitive market data. • The Group CEO received a merit increase of 10.9% on 1 September 2015. • The Group CFO received a merit increase of 14.3% on 1 September 2015. • The President-Global Trade received a merit increase of 7.3% on 1 September 2015. On 1 June 2016, he received a salary adjustment of 5.9% for assuming additional responsibilities for non-ferrous trade/operations. • The Managing Director-Australia and New Zealand Metals was not eligible for a merit increase based on his 1 October 2015 date of hire. • The President-Global SRS received a merit increase of 12.3% on 1 September 2015.
Short-term incentive (STI)	• **No short-term incentive payments** were made to the Executives under the FY16 STI plan for the FY16 performance period, as the Company's ROCCE goals that were established for the fiscal year for those Executives were not met.
Long-term incentive (LTI)	• **Performance rights** in respect of the FY12 LTI award vested on 21 August 2015 and were paid out at 68.75% to those Executives who received that award. This was the result of the Company's relative Total Shareholder Return (TSR) ranking being above the 51st percentile against its peer companies for the performance period 1 July 2011 to 30 June 2015 (being the second performance period for that grant). • **Restricted stocks units** – On his hire date, 15 November 2013, the Group CEO received an RSU award valued at US$1 million. The first tranche, representing one-half of the award, vested on 1 December 2014, and the second tranche, representing the remaining half, vested on 1 December 2015. – On his hire date, 3 November 2014, the Group CFO received an RSU award valued at US$1 million. The first tranche, representing one-third of that award, vested on 28 October 2015. The second and third tranche will, subject to his continued employment, vest on 28 October 2016 and 28 October 2017, respectively. – In recognition of his 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 first tranche, representing one-third of that award, vested immediately on 1 March 2016. The second and third tranche will, subject to his continued employment, vest on 1 September 2016 and 1 March 2017, respectively. – In recognition of his new expanded role, the President-Global SRS received an RSU award valued at US$125,000 on 27 June 2013. The total award vested on 27 June 2016. • **Options** vested during the year in accordance with the terms of their grant.

In the context of the above comments, actual remuneration received by Executives during FY16 is set out below. This disclosure is provided on a voluntary basis to provide additional transparency and to clearly demonstrate the strong linkage between 'at-risk' pay and Company performance.

As seen in the table below, actual remuneration was lower than target, reflecting the difficult challenges the Company faced in FY16. The LTI values outlined in the table below differ to those in the statutory remuneration tables in Section 4, as the statutory remuneration tables reflect the amortised value of the entire LTI award in accordance with the accounting standards.

Executives (A$)	Fixed remuneration[1]	Actual cash bonus[2]	Target cash bonus[3]	Actual long-term incentives[4]	Target long-term incentives	Actual total remuneration	Target total remuneration	Actual total remuneration as % of target total remuneration
G Claro[5]	1,765,295	–	2,013,250	**504,685**	4,814,294	**2,269,980**	8,592,839	26%
F Knechtel[5]	1,123,200	–	1,098,448	**377,870**	1,647,673	**1,501,070**	3,869,321	39%
W Schmiedel[5]	1,209,836	–	1,235,754	**516,883**	1,853,632	**1,726,719**	4,299,222	40%
A Field	643,893	250,000	600,000	**–**	800,000	**893,893**	2,043,893	44%
S Skurnac[5]	1,109,160	–	592,132	**217,509**	789,510	**1,326,669**	2,490,802	53%

1 Fixed remuneration includes cash salary, other benefits, pension and superannuation, and annual leave accruals. It is the same as the statutory remuneration disclosures.

2 Actual cash bonus refers to the Executive's total bonus that was earned in FY16 which resulted in nil payout. Mr Field received a $250,000 sign-on bonus upon commencement of employment.

3 For the definition of target cash bonus, refer to section 3.4.

4 Actual LTI refers to the options granted in prior years that vested during FY16. 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. Mr Schmiedel and Mr Skurnac had performance rights vest in FY16 based on achievement of TSR results compared to the Company's comparator group. Mr Claro had an RSU award which fully vested on 1 December 2015. Mr Knechtel had RSUs vest on 28 October 2015. Mr Schmiedel had RSUs vest on 1 March 2016. Mr Skurnac had RSUs vest on 27 June 2016. The value is determined based on the share price on the day of vest. The LTI value is significantly lower than target LTI and is different to the LTI figures in the statutory remuneration table. This is because the LTI figures in the statutory remuneration table reflect the amortised value of the entire LTI award (that may or may not vest) in accordance with the accounting standards.

5 All Executives received their cash payments in US dollars except for Mr Skurnac who received his payments related to his UK secondment in British pounds and Mr Field who received his cash payments in Australian dollars.

1.3 Executive Remuneration Approach for FY17

In FY16 the Company continued its robust investor outreach program to solicit valuable feedback regarding the Company's remuneration plan design. Investor feedback has historically been positive towards the Company's executive remuneration programs and their link between executive pay and the Company's performance.

Although this past fiscal year's performance was, due to extremely challenging macroeconomic forces, below expectations, the Committee and the Board felt it was critical to recognise the significant milestones the Executives have made towards the Company's growth and long-term financial future. Consequently, the Committee and the Board agreed to the grant of a one-time special discretionary pool of time-based RSUs with a total value of approximately A$2.733 million (of which A$1.05 million will be allocated to the Group CEO) and will vest, subject to the respective Executive's continued employment, one year from the date of grant.

In addition, in order to ensure that the Company retains the services of its Executives in an increasingly competitive global labour marketplace, the Committee and the Board agreed to an award comprising the grant of RSUs with a total value of approximately A$5.817 million (of which A$2.45 million will be allocated to the Group CEO) and will vest, subject to the respective Executive's continued employment, in two equal tranches, three and four years, respectively, from the date of grant.

The Committee intends to grant competitive merit increases commensurate with each Executive's performance in FY17.

As was the case in FY16, the STI performance goals will continue to be linked to the achievement of ROCCE for each part of the business. No STI payment will be made for any part of the portfolio of the Company's business unless FY17 Budget has been achieved at a minimum Threshold level performance. Financial goal attainment will be measured at Threshold (75% of Target) and Maximum (125% of Target). In addition, FY17 regional Executives will continue to have 25% of their finanical goals tied to Group ROCCE results.

The Company's LTI plan will continue to evolve as the Company attempts to align its incentive framework with the external market. For FY17, the Committee plans to retain a return on invested capital (ROIC) performance measure with threshold set at 8%, target at 10% and maximum at 12%. With Arrium Limited to be excluded from the Company's peer group from FY17, the achievement metrics for TSR-based performance rights will be based on relative positioning compared to the 14 companies within the Company's peer group (i.e. 15 positions in total including the Company) for the FY17–FY19 performance period. No rights will vest at or below the 10th position, while 45% vesting will occur if the Company achieves 9th position, rising to 100% vesting at the 5th position. In addition, the Company will continue to assess its comparator groups and address any modifications to its peers, as needed.

The table below indicates how the Company's remuneration framework will be aligned to its key performance drivers in FY17.

Performance driver	How the driver is incorporated into the Executive remuneration framework	
Increasing alignment with shareholders	LTI	• A significant portion of the Executives' total remuneration opportunity (56% for the Group CEO and between 36% and 42% for Executives) is delivered as equity in the LTI plan • 50% of the performance rights in the LTI plan are based on relative TSR • 100% of the options are expected to be exercised only if there has been absolute share price growth
Strong financial performance	STI	• 80% of the Group CEO's and Group Executives' STI is based on Group ROCCE • 80% of the Regional Executives' STI target is based on financial measures, of which 25% is based on Group ROCCE, with 75% being based on business unit ROCCE
	LTI	• 50% of the performance rights in the LTI plan are based on ROIC
Strong safety performance	STI	• Long-term injury frequency rate and medically-treated injury frequency rate are included in the 20% allocated to non-financial measures in the STI plan
Alignment with 5 year strategic plan	STI	• Goals that are directly linked to the execution of the 5-year strategic plan for the financial year will be included in the 20% allocated to non-financial measures in the STI plan. This encourages a focus on multi-year performance
Strong compliance performance	STI	• Maintaining a strong internal control structure as well as procedures for financial reporting will be included in the 20% allocated to non-financial measures in the STI plan
Drive a strong human capital culture	STI	• Leading a strong global organization culture which fosters high productivity and a sense of ownership will be included in the 20% allocated to non-financial measures in the STI plan

2 REMUNERATION GOVERNANCE

We have a strong remuneration governance framework, with the Board being ultimately responsible for the Company's executive remuneration practices. The Remuneration Committee advises the Board in making remuneration decisions.

2.1 Remuneration Philosophy

Our remuneration philosophy is designed to provide remuneration that:

- attracts, motivates and retains the best and brightest senior executives, leadership and staff personnel;
- drives the Company's strategic plan; and
- aligns reward opportunities with shareholder interests.

Due to our global scale, our remuneration practices aim to take into account local market practice, particularly in the USA, our largest geographic region, where we compete for much of our talent and business. Our executive remuneration framework consists of fixed remuneration, short-term incentives and long-term incentives.

2.2 The Remuneration Committee

The primary role of the Remuneration Committee (Committee) is to support and advise the Board on the implementation and maintenance of coherent, fair and responsible remuneration policies and practices, which are observed by the Company and which enables it to attract and retain executives who will create value for shareholders. The Remuneration Committee Charter, a copy of which is available on the Company's website at www.simsmm.com, provides further information on the role and responsibilities of the Committee.

The diagram below illustrates the role of the Board, the Committee, management and external advisors (including remuneration consultants) in relation to remuneration.

BOARD
(Reviews and approves the recommendations made by the Committee)

Final recommendations made by the Committee are reviewed and approved by the Board in respect of:

- Executive remuneration philosophy and policies
- Executive remuneration and incentive performance packages
- Introduction and application of equity-based schemes
- The establishment and review of performance goals for the Group CEO
- Executive recruitment, retention and termination policies
- NEDs' fees and framework

REMUNERATION COMMITTEE
(Reviews and makes recommendations to the Board)

Members of the Committee during FY16 were:

- Christopher J Renwick – Chairperson
- Geoffrey N Brunsdon – Member
- Georgia Nelson – Member
- Deborah O'Toole – Member (appointed 12 April 2016)
- Heather Ridout – Member
- James T Thompson – Member

EXTERNAL REMUNERATION CONSULTANT

Engaged directly by the Committee to provide advice and market updates in relation to Non-Executive Directors and executive remuneration matters

The Committee considers recommendations presented by management in developing an executive remuneration philosophy, policy and framework aligned to the Company's overall strategic direction. Mr Bass is the Chairperson of the Risk, Audit & Compliance Committee and seeks to ensure that remuneration practices are designed in a risk-aware manner and are consistent with the Company's overall risk management framework

MANAGEMENT
(Makes recommendations to the Committee in developing and implementing the remuneration strategy)

During FY16, it was agreed that the Company's Workforce Diversity Policy responsibilities be assumed by the Company's Nomination/Governance Committee in lieu of the Remuneration Committee.

2.3 Committee Activities

During FY16, the Committee met on six occasions, with remuneration matters a standing agenda item on each occasion. The Committee has a strong focus on the relationship between business performance, risk management and remuneration, with the following activities occurring during the financial year:

- Review of key senior executive appointments and terminations
- Review of STI and LTI
- Review of reward outcomes (Fixed, STI and LTI) for key senior executives
- Review of succession plans for key senior executives

2.4 Remuneration Benchmark Peer Group and Competitive Positioning

Our remuneration program is designed to reward achievement of financial, strategic and personal goals and to attract, retain and motivate our leaders in our highly competitive market for top talent.

The Committee, in consultation with its independent external remuneration consultant Ernst & Young, periodically examines the composition, pay practices and remuneration data for a group of domestic and international listed companies, as a source of benchmarking data to better understand the appropriate total value and mix of pay for our Executives. Our remuneration decisions are based on the level of Company and individual performance; hence, the comparator group is used:

- as an input to developing salary and package ranges, annual incentive targets and long-term incentive award ranges
- to benchmark the form and mix of equity awarded to Executives
- to assess the competitiveness of remuneration across our comparator group within our industry

The Committee looks at each company in the comparator group and each component of remuneration – fixed; STI and LTI (and the nature of the performance hurdles) – to satisfy itself that Executive remuneration is both competitive in the markets in which the Company operates and competes for talent, and can be regarded as reasonable from the views and interest of the Company's shareholders.

Based on the Committee's annual review, with input from Ernst & Young, no changes were made to the remuneration benchmark peer group in FY16, which comprises the 15 listed companies below. The Committee believes that these companies continue to be a relevant group to benchmark the Company's remuneration programs and practices against.

FY16 Sims Metal Management Remuneration Peer Group – Australian listed companies

Arrium Limited [1]	Boral Limited
BlueScope Steel Limited	Brambles Limited

FY16 Sims Metal Management Remuneration Peer Group – USA listed companies

AK Steel Holding Corporation	Nucor Corporation	Steel Dynamics Inc.
Allegheny Technologies Inc.	Reliance Steel & Aluminum Co.	USG Corporation
Commercial Metals Co.	Republic Services Inc.	Waste Management Inc.
Masco Corporation	Schnitzer Steel Industries Inc.	

1 To be excluded from FY17 remuneration benchmark peer group.

The Committee recognises that while data may be available on the performance of our non-US listed peer companies, the remuneration data is limited in terms of comparable benchmarks and other information for certain non-US peers. Therefore, the remuneration benchmark peer group differs from the TSR peer group considering size of the companies and the availability of publicly disclosed executive remuneration levels.

Given the disparate measures of size in the remuneration benchmark peer group, the Committee does not set a specific target remuneration percentile based on peer market data alone. Based on recent benchmark analyses, the target total remuneration at the Group CEO level is below median of comparable CEOs within the remuneration benchmark peer group.

2.5 External Remuneration Consultant

During the financial year, Ernst & Young, the Committee's remuneration advisor, provided the Committee with market updates and advice in relation to executive remuneration matters.

During FY16, no remuneration recommendations, as defined under the *Corporations Act 2001* (Cth), were provided by Ernst & Young.

2.6 Risk Management

The Company's remuneration framework is structured to provide a balance of cash and equity; short-term and long-term incentives with individual and financial objectives over various performance periods. The Company's remuneration programs are designed to help discourage imprudent risk taking. The remuneration programs are also designed to support the Company's commitment to operating in a manner consistent with the highest standards of corporate governance, which is fundamental to promoting investors' confidence and creating long-term value.

The following policies and procedures relating to the Company's remuneration programs help discourage imprudent risk taking:

- The remuneration programs incorporate performance metrics over multiple time frames to discourage undue focus on near term results, or on any one specific metric in order to reinforce a balance in performance measures
- The STI and LTI plans contain a cap on the maximum payout achievable
- Under our LTI plan, annual awards are unvested for at least three years under the plan's performance-based vesting schedule
- Performance rights are used for the annual awards to Executives
- The remuneration plan design requires all payouts under our STI and LTI plans to be subject to the discretion of the Committee

3 REMUNERATION FRAMEWORK

Our executive remuneration framework is heavily skewed towards variable pay to drive Company performance, with 80% of the Group CEO's target pay, and between 64-71% of target pay for the other Executives, being at-risk, subject to challenging short-term and long-term performance hurdles.

3.1 Remuneration Principles and Strategy

The Group operates from more than 200 locations across five continents. Given our global scale, it is imperative that the executive remuneration policy and framework reflect the international nature of the Company and the fact that our executives are based throughout the world.

As the Company's success is dependent upon the quality of its people, the primary aim of the Company's executive remuneration policy is to recognise and reward outstanding achievement, and to attract, motivate and retain high calibre leaders to support our long-term growth objectives and return value to our shareholders.

The executive remuneration policy also seeks to ensure alignment with the Company's remuneration philosophy, strategic plan and shareholder interests. The Committee believes this practice ensures that the Company's remuneration policies and principles reflect the global environment through appropriately balancing competitive market practice in the USA, UK and Australia.

The remuneration framework is continually reviewed by the Committee to promote good governance and serve the best interests of the Company's shareholders and stakeholders. The Company annually reviews its remuneration practices to determine the total remuneration positioning of its executives relative to the market. Changes in remuneration structures in the global environment occur quickly, and it has become an increasingly difficult task to remain competitive, particularly in North America. It is the Company's intention to continue to review the appropriateness and effectiveness of its remuneration structure in FY17. It is not intended, however, to implement any major changes until after the strategic plan period (end of FY18) has concluded.

A snapshot of the Company's remuneration principles and its components, and how they support the Company's overall vision is illustrated in the diagram below.

MISSION

Our mission is to be the best in class recycler of metals and electronics in all markets we operate. Our industry leadership will be driven by the strengths of our partnership with our suppliers, the excellence of our products and services to our customers, and the attractiveness of our returns to shareholders.

REMUNERATION PRINCIPLES

Reward capability, experience and performance against business strategy	Provide a competitive reward for contribution to growth in shareholder wealth	Provide a clear structure for earning rewards	Provide recognition for individual performance contributions in line with the Company's strategic plan	Support the Company's core values of safety, integrity, respect, transparency, excellence and social responsibility

REMUNERATION COMPONENTS

	Fixed remuneration	Short-term incentive	Long-term incentive
What is the purpose of this remuneration component?	To be able to attract and retain quality talent.	To reward executives for Company, business unit and individual contributions.	To retain executives and ensure their interests and rewards are aligned with the longer term interests and rewards of shareholders.
How is this remuneration component determined?	Based on capability, experience, responsibilities and accountability, commensurate with role. Set with reference to market data against a relevant peer group.	Based on financial targets (ROCCE) and individual performance goals (such as safety, environment and sustainability, implementation of the strategic plan, talent management and shareholder and community relations).	All equity is subject to continued service. Performance hurdles are based on relative TSR, ROIC and earnings per share (measure used for FY14 and FY15 grants), and absolute share price appreciation (inherent in the options).
Over what period is performance assessed?	Not applicable.	12 months.	Performance rights have a 3 year performance period. Options vest over 1-3 years, and can be exercised up to the end of Year 7.
How is this remuneration component delivered?	Annual salary, benefits and pension/superannuation.	Cash.	Performance rights and options.

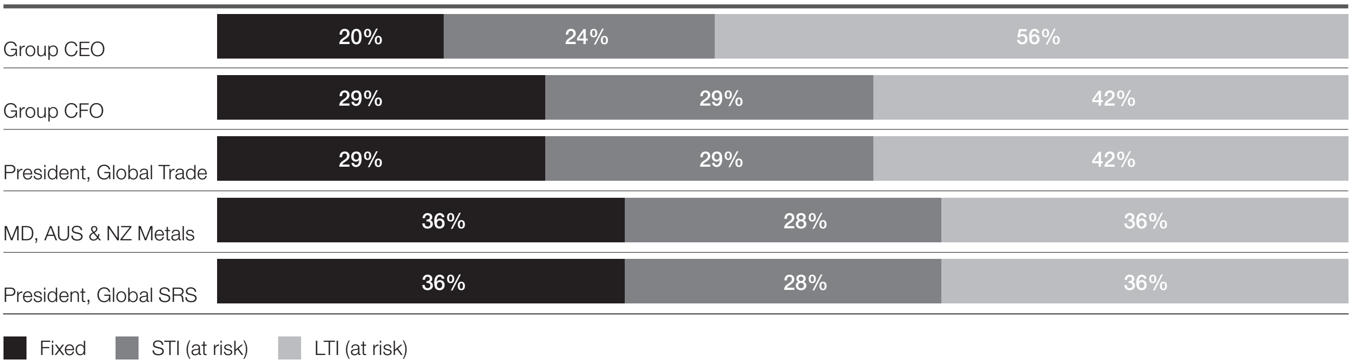
3.2 Total Target Remuneration mix

Under our remuneration framework, a mix of fixed and variable pay components is included with different time horizons and payout forms used to reward both annual and long-term sustainable performance. A strong pay-for-performance culture inherent in our incentive plan designs provides a direct link between pay and financial outcomes through the use of performance measures that are tied directly to financial achievement and our strategic initiatives.

In line with the Company's intent to ensure our Executive remuneration framework is aligned to the Company's performance, a significant portion of an Executive's remuneration is 'at-risk'. 'At-risk' means an absence of certainty regarding the payment of a particular component of remuneration in the event agreed-upon performance hurdles or employment conditions are not met during the performance period. Details on each of these plans are outlined below.

The following chart sets out the FY16 total target remuneration mix; that is, fixed remuneration (salary / package), target STI, and LTI for the Executives.

Total target remuneration mix



3.3 Fixed Remuneration

Fixed remuneration primarily seeks to attract and retain high calibre Executives. It provides competitive opportunities for remuneration commensurate with job scope, required competencies and performance.

Fixed remuneration comprises base salary and benefits:

- Base salary is determined on an individual basis, taking into consideration the individual's capability, experience, responsibilities and accountability, as well as external market factors and benchmark data.
- Benefits programs vary by market and may include health insurance, life and disability insurance, retirement programs (depending on national government and tax regulations) and automobile allowances.

Remuneration packages (including fixed components of base salaries and benefits) are reviewed annually. In reviewing any changes to Executive remuneration, the Committee references individual performance, as well as its competitiveness against the remuneration peer group (provided under Section 2.4 of this report).

There are no guaranteed increases to any components of fixed remuneration for any of the Executives.

3.4 Variable Remuneration

The 'at-risk' component of remuneration comprises both short-term and long-term incentives.

3.4.1 STI Plan

Key developments in FY16:

During FY16, we continued to align our STI and LTI performance goals to the strategic plan of the Company. We set achievement of Budget as a key performance metric in a portfolio of our businesses and continued the practice of achieving a specific return on controlled capital employed (ROCCE). A threshold ROCCE performance must be achieved under the STI in order to generate a bonus payout. In light of the strategic actions the Company has taken to reignite growth and deliver on our 5-year strategic plan, the Board approved a number of enhancements in FY16 to further link the Company's remuneration programs with our business and talent strategies, as well as the views of our shareholders. During FY16:

- Achievement of Budget would generate a Target STI payout
- Financial goal achievement were measured at Threshold (80% of Target) and Maximum (130% of Target)
- Threshold Group ROCCE for the full financial year had to be achieved before any STI payments were awarded to the Group CEO and Group Executives
- The Group CEO and Group Executives continued to have 80% of their target STI based on Group ROCCE
- Regional Executives had 25% of the financial portion of their STI tied to Group ROCCE

Executives are eligible to participate in the Company's STI plan. The Committee believes that the STI plan is a key motivator to drive alignment with Company strategy and values, by rewarding for a mix of Company, business unit and individual contributions.

The table below summarises the key aspects of the STI plan.

What is the STI plan?	• Under 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 over the financial year. • Company, business unit and individual goals are set on an annual basis, to align with achievement of the Company's financial, business, and strategic priorities.
What is ROCCE and why is it used?	• ROCCE is an acronym that means 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 rewards investment decisions that deliver higher returns (efficient use of capital) rather than just increased profits. • Debt capital cannot be used by management to manipulate higher net asset returns since debt is not subtracted in determining the funds employed in the denominator. • For these reasons ROCCE is selected as the most appropriate measure of management's success in delivering shareholder value. • ROCCE is subject to adjustments as approved at the Committee's discretion.

What is the range of STI opportunity?

- The STI is determined by reference to three performance hurdles:
  - Threshold
  - Target
  - Maximum
- For FY16, the threshold was determined by reference to 80% of target. At threshold, a portion of target STI is paid depending on an individual's position and this increases in a linear fashion to 100% at target. STI payments as they relate to individual performance goals cannot be paid unless the ROCCE threshold performance is reached.
- The STI target opportunity is 115% of fixed remuneration for the Group CEO, and ranges from 75% to 100% of fixed remuneration for Executives.
- The actual STI award can range from a minimum of nil to a maximum of 200% of the target opportunity for all Executives depending upon performance achieved against pre-defined goals.

What is the financial gateway?

- In FY14, a financial gateway was introduced into the STI plan. This means that a financial threshold must be achieved before any STI payment is made:
  - For the Group CEO and Group Executives, the financial gateway is threshold Group ROCCE (for the full financial year), which must be achieved before any of the payment is awarded.
  - For Regional Executives, the Group ROCCE threshold must be achieved before any of the Group financial component is awarded. The business unit ROCCE threshold must be achieved before any payment can be made against the business unit ROCCE or individual goals.
- A financial gateway creates stronger alignment between STI payments and Company financial performance.

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 below table shows the weight attributable to each STI measure.

	Financial measures		
Position	**Group ROCCE**	**Business unit ROCCE**	**Individual goals** *(subject to ROCCE threshold)*
Group CEO	80%	N/A	20%
Group Executives	80%	N/A	20%
Regional Executives	20%	60%	20%

What are the Group and business unit measures and why were they chosen?

- The Group CEO and Group Executives have 80% of their STI dependent upon Group ROCCE.
- The Regional Executives have 75% of the financial portion of their STI (or 60% of their total STI target) 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.
- ROCCE was chosen to represent 80% of the STI measures because it is the Company's key financial measure. See above for further information on ROCCE.

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 5 year strategic plan. • For the Group CEO, the Committee established for FY16 a matrix of approximately 10 specific criteria summarised into such categories as, safety (reduction in Long-Term Injury Frequency Rate and recordable injuries), sustainability, compliance, HR and people development (talent management and driving a diverse and inclusive culture) and strategic objectives. • For the other Executives, the individual goals may include:

Individual goals	Description
Safety, Health, Environment, Community & Sustainability (SHECS)	• Reduction in critical safety incident metrics (i.e. Long-Term Injury Frequency Rate and Medically-Treated Injury Frequency Rate) and environmental incidents • Increase in community involvement activity
Compliance	• Ensure a strong internal control environment
Strategic measures	• Achievement of critical initiatives in support of the Company's 5 year strategic plan
Talent management	• This includes measures such as succession planning (eg identifying 1–3 year succession candidates) and management development (eg addressing talent gaps identified during the succession planning process)

Why aren't the specific performance targets disclosed?	• The Committee understands the desire for greater transparency of specific targets. However, given the Company's size and position in the industry, the Company 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 Group CEO and Executives to support delivery of the Company's 5 year strategic plan.
How is performance assessed?	***Assessing Company performance:*** • First, the financial gateway of Group ROCCE / business unit ROCCE is assessed. If the financial gateway is not met, there are no payments made under the STI plan. • Second, if the financial gateway is met, payment is then determined by reference to ROCCE and individual goals. Once the threshold performance hurdle is met, awards against the ROCCE targets are linear in calculation until the maximum performance hurdle is reached. • Actual performance against the financial targets is set out in Section 3.4.3 ***Assessing individual performance:*** • An individual's performance is rated on a scale of 0 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. • 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.
Does the Board have discretion?	• The Board maintains full discretion over the level of any STI awards paid to the Group CEO and Executives.
How is the STI delivered?	• The STI is delivered as cash. Any payments are made in September following the finalisation of the Company's audited financial results.

Why is there no STI deferral and clawback?	• The Committee considered the introduction of STI deferral for the Group CEO and Executives. Following another review and given that the Group CEO and Executives have a meaningful weighting on the LTI in their FY16 remuneration mix (ranging from 36% to 56%), the Committee concluded that it was not necessary at this time to introduce STI deferral for shareholder alignment or retention purposes. • The Company currently 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 the Company may consider introducing a clawback 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 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 5 for further information on the Group CEO's entitlement to any STI on termination. • No STI payments will be made in the case of termination for cause.

3.4.2 LTI Plan

The LTI plan seeks to be competitive across the Company's key geographical areas, being the USA, UK and Australia. Accordingly, a portion of an annual grant under the LTI plan is based on rights subject to relative TSR and ROIC, and a portion is based on options which an Executive would only be expected to exercise, and realise the rewards of, if there has been absolute share price growth.

The Company believes that the LTI plan is one of the more rigorous in the market because Executives only receive full LTI vesting if there has been earnings growth, absolute share price growth, and superior relative total shareholder returns. Both rights and options are also subject to continued service.

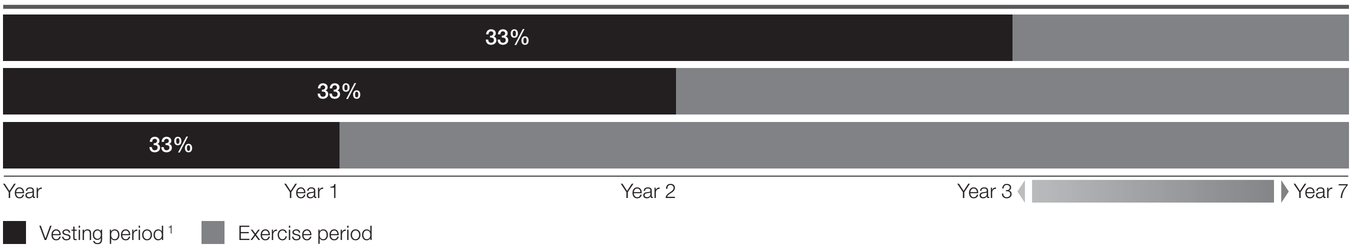
The diagram below outlines the key characteristics of the annual grant under the FY16 LTI plan:

Performance rights

- Constitutes 80% of the Group CEO LTI award and 67% of the Executive LTI award.
- 50% subject to relative TSR, 50% subject to ROIC. All rights are based on continued service.

Options

- Constitutes 20% of the Group CEO LTI award and 33% of the Executive LTI award.
- 100% based on absolute share price growth and continued service.



1 Note that the options vest on the last business day of August at the end of the relevant vesting period.

Further detail on the annual grants under the FY16 LTI plan is outlined in the table below:

What is the purpose of the LTI plan?	• The LTI plan incentivises Executives to achieve earnings, share price and relative total shareholder return targets over a 1-3 year period (80% of the Group CEO's grant and 2/3 of the other Executives' grants are not eligible for vesting until the third year). Executive rewards under the LTI plan are aligned with the shareholder experience as the ultimate reward an Executive receives is dependent upon the Company's share price.
What is the frequency and timing of the awards?	• The Company's shareholders approved an LTI award for the Group CEO at the Company's 2015 Annual General Meeting (AGM). In conjunction with the AGM, the Committee approved and granted LTI awards for the Executives. • Awards are typically made on an annual basis.
What is ROIC and why is it used under the LTI?	• ROIC is an acronym which means return on invested capital and is calculated as profit 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.
What instruments are offered under the LTI plan?	The table below provides further information on the three equity instruments:

Instrument	Description
Performance rights	• A performance right is a contractual right to acquire an ordinary share for nil consideration if specified performance conditions are met. All the Executives received performance rights.
Options	• 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. In respect of option grants prior to FY14, USA participants have their options settled in American Depositary Shares (ADSs) unless otherwise determined by the Board. • 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 the Executives received options as part of the annual grant cycle.
Phantom options	• Phantom options operate in the same manner as options; however, they are cash-settled rather than equity-settled. Accordingly, rather than receiving an ordinary share in the Company upon exercise, the Executive receives the equivalent value in cash. • Phantom options were discontinued under the LTI plan commencing in FY16

Why are options included as part of the LTI plan?	• Options are a small component of the LTI award, representing 20% of the LTI opportunity for the Group CEO and 33% of the LTI opportunity for the 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.
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 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.

DIRECTORS' REPORT | REMUNERATION REPORT

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 for the Committee using a Black-Scholes, Binomial or Monte Carlo simulation option pricing model as appropriate.
- The Company uses a discounted fair value approach in determining the size of LTI grants to be consistent with the grant date fair value used for expensing and to reflect the degree of difficulty in goal achievement. This method also considers the approach used by Mercer in obtaining competitive data from the Company's Australian remuneration peer group companies, where Mercer applied discounts to peer company target LTI values to reflect the risk of forfeiture from performing below levels required to receive full target payouts.
- As a result of the discounts, market LTIs for the Australian peer companies that are reviewed by the Committee are reported at much lower than target levels. The comparable adjustment for the Company is determined at grant using the fair value approach to determining the number of target shares based on the target dollar value.

What are the performance measures and why were they chosen?

Performance measure

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

- TSR performance is measured over a three-year period. For grants made in FY16 this is from 1 July 2015 through to 30 June 2018.
- 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.
Arrium Limited [1]	Steel Dynamics Inc.
BlueScope Steel Limited	Tokyo Steel MFG Co Ltd.
Commercial Metals Co.	U.S. Steel Corporation
Gerdau S.A.	

1 Will not be included in future grants.

- The vesting schedule is:

TSR growth relative to the peer group	Proportion of TSR grant vesting
Less than 50th percentile	0%
50th percentile	50%
50th percentile to 75th percentile	Pro-rata straight line
75th percentile or higher	100%

- Re-testing was removed from LTI grants commencing in FY14.

Rationale and comments

- The relative TSR performance hurdle ensures that Executives are only rewarded when the Company's TSR is at least equivalent to the median company in a 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.
- Re-testing has been removed following consideration of shareholder and proxy adviser feedback, and to further align the LTI plan with common market practice in Australia.

What are the performance measures and why were they chosen?

Performance measure	Rationale and comments
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 FY16 this is the year from 1 July 2015 through to 30 June 2018. • ROIC of the Company for FY18 will be determined by taking the Profit of the Company for FY18 and dividing it by the Invested Capital. • The vesting schedule is:	• The ROIC performance hurdle was introduced into the LTI plan with the FY16 grant. • The ROIC performance hurdle was chosen by the Board as it assesses the success of the business in generating an 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.

ROIC of the Company for 2018	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%

Performance measure	Rationale and comments
EPS (50% of performance rights based on value)	
• EPS performance is measured over a three-year period based on statutory EPS. No grants made in FY16 were measured on EPS. • FY14 and FY15 performance rights grants both utilized an earnings per share component. FY16 performance rights incorporated a ROIC performance hurdle, which replaced the EPS performance hurdle. • The vesting schedule for the FY15 EPS performance rights is:	• EPS was chosen as a performance hurdle for FY14 and FY15 grants because it is consistent with the Committee's goal of aligning management incentives with a reasonable level of net income for shareholders. • The EPS performance hurdle rates were determined by the Committee to represent earnings over a 3 year vesting schedule that would be rigorous in prevailing economic conditions.

Cumulative EPS growth	Proportion of EPS grant vesting
Less than $1.70	0%
$1.70	50%
$1.70 to $2.00	Pro-rata straight line
$2.00 or higher	100%

Performance measure	Rationale and comments
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 FY16, each instalment vests on the last business day of August, as follows: – One-third in 2016, – One-third in 2017, and – One-third in 2018. • Options expire seven years after the date of grant.	• Options reward absolute growth in shareholder wealth. • The use of options is common market practice in the USA, where the Company competes for much of its talent and business. • The tiered vesting schedule over 1–3 years reflects common market practice in the USA.

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.

Do participants receive dividends?	• 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).
Treatment of awards on termination of employment	• 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 further Section 5.
How are awards treated on a change of control?	• 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.

3.4.3 Link between 'at-risk' Remuneration and Company Performance

Outlined below is the Company's performance against key metrics over the past five financial years. The amounts below include both continuing and discontinued operations.

	Financial Year				
	2016 [1]	**2015**	**2014** [1]	**2013** [1]	**2012** [1]
(Loss)/Profit Before Interest and Tax (A$m)	**(215.5)**	145.5	(27.6)	(470.4)	(624.0)
Diluted (loss)/earnings per share (cents)	**(106.8)**	53.3	(43.5)	(228.6)	(302.7)
Return on Shareholders' Equity	**(11.8%)**	5.2%	(4.9%)	(24.2%)	(27.3%)
Total dividends per share (cents)	**22.0**	29.0	10.0	0.0	20.0
Share price at 30 June A$	**7.82**	10.42	9.68	8.26	9.61

1 FY16, FY14, FY13 and FY12 reflect goodwill and other intangible impairment charges of A$53.0 million, A$28.5 million, A$304.4 million and A$675.6 million respectively. There were no intangible impairment charges in FY15.

Linkage of STI outcomes to Company performance

The Group CEO and Group Executives have 80% of their total STI target based on Group ROCCE, being Profit Before Interest and Tax (PBIT) divided by Average Controlled Capital Employed. The Regional Executives have 75% of the financial portion of their STI (60% of their total STI target) based on business unit ROCCE; the remaining 25% of the financial portion of their STI (20% of their total STI target) was based on Group ROCCE. The remaining percentage of the STI for the Group CEO and Executives is based on individual performance goals (with a Target ROCCE required to be achieved before any payments are made).

The table below outlines FY16 Group and business unit performance against the STI ROCCE targets. Below threshold performance as indicated resulted in no payout for the Executives.

Group/business unit	G Claro	F Knechtel	W Schmiedel	A Field	S Skurnac	Financial performance
Group	★	★	★	★	★	◒
Global SRS					★	◒
Australia/New Zealand Metals				★		◒

◒ Below threshold

The table below outlines the proportion of the target STI that was earned and forfeited. No portion of target STI was earned by the Executives for FY16.

Name	Target STI opportunity (% fixed remuneration)	Proportion of target STI earned during FY16	Proportion of target STI forfeited during FY16
G Claro	115%	0%	100%
F Knechtel	100%	0%	100%
W Schmiedel	100%	0%	100%
A Field	75%	0%	100%
S Skurnac	75%	0%	100%

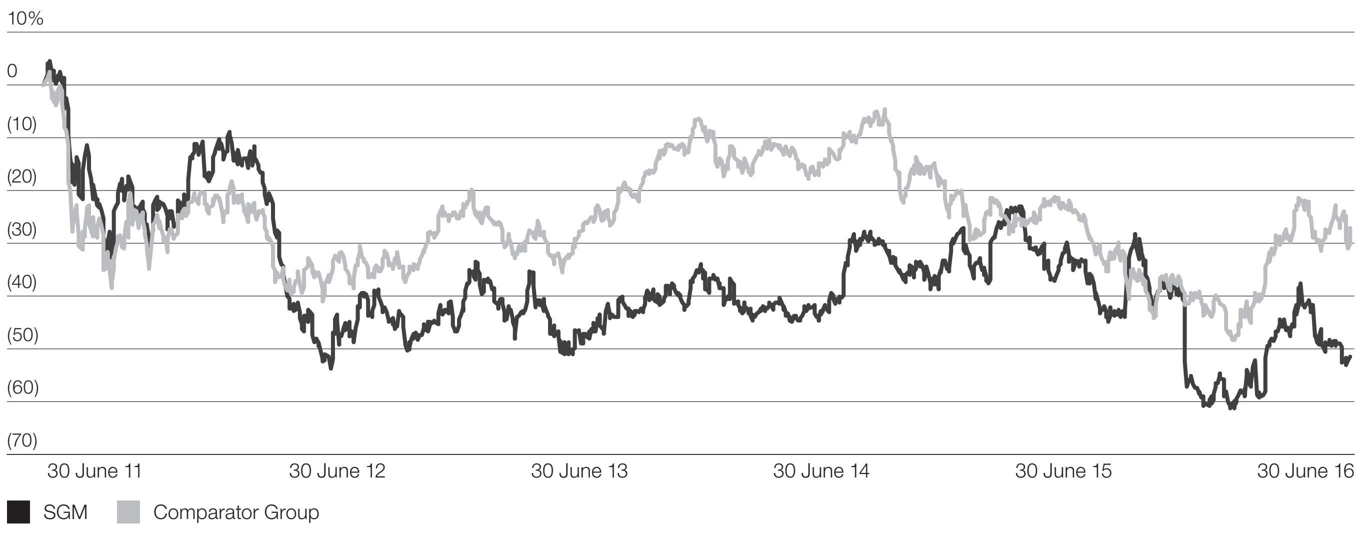
Linkage of LTI outcomes to Company performance

The value of the annual awards granted to Executives under the LTI plan for FY16 is based on, in respect of performance rights, relative TSR or ROIC and, in respect of options, absolute share price growth.

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

The TSR graph below compares the Company's (ASX: SGM) TSR against the peer group (as referenced above) for the five-year period ending 30 June 2016. TSR is the return to shareholders provided by share price appreciation plus dividends (which are assumed to be reinvested in the Company's shares), expressed as a percentage of the share price at the beginning of the measurement period adjusted, where appropriate, for bonus issues, capital consolidation or equivalents.

Cumulative Total Shareholder Return: SGM against the comparator group (excluding SGM)



The table below outlines the status of the LTI grants that were outstanding as of 30 June 2016:

TSR Grant	Status
FY12	68.75% of the total grant vested on 21 August 2015; 17.12% additional shares will vest on 25 August 2016 and unvested performance rights remaining will be forfeited
FY13	54.79% of the total grant will vest on 31 August 2016
FY14	100% of the total grant will be forfeited on 31 August 2016
FY15 and FY16	Not yet eligible for testing

EPS Grant	Status
FY14	100% of the total grant will be forfeited on 31 August 2016
FY15	Not yet eligible for testing

ROIC Grant	Status
FY16	Not yet eligible for testing

Absolute share price growth (performance hurdle for 100% of the options and phantom options)

Using options as a small part of the LTI grant is aligned to Company performance as it focuses Executives on absolute share price growth. This is because Executives only receive rewards from the options if the Company's share price increases above the option exercise price. Options create the strongest alignment to the shareholder experience because Executives only receive rewards if shareholders have similarly benefited.

4 EXECUTIVE STATUTORY REMUNERATION DISCLOSURES

4.1 Executive Remuneration Disclosures

Certain Executives (as disclosed below) are not residents of Australia. Their respective remuneration paid in foreign currency has been converted to Australian dollars at an average exchange rate over the year.

			Short-term benefits			Post-employment benefits				
(A$)	Location	Financial Year	Cash salary [1]	Cash bonus [2]	Other benefits [3]	Pension and superannuation	Other long-term benefits [4]	Termination benefits	Share-based payments [5]	Total
Executives (including the Executive Director and Group CEO)										
G Claro [6]	USA	**2016**	**1,687,729**	**–**	**20,229**	**57,338**	**6,865**	**–**	**1,131,924**	**2,904,085**
		2015	1,193,040	1,108,895	240,383	67,836	5,965	–	1,516,153	4,132,272
F Knechtel [6,7]	USA	**2016**	**1,075,575**	**–**	**499**	**47,126**	**6,865**	**–**	**763,873**	**1,893,938**
		2015	569,672	693,524	41,997	49,962	–	–	757,289	2,112,444
W Schmiedel [6]	USA	**2016**	**1,159,561**	**–**	**(4,707)**	**54,982**	**6,865**	**–**	**911,188**	**2,127,889**
		2015	944,894	794,573	21,946	45,775	5,965	–	523,563	2,336,716
A Field [7]	Australia	**2016**	**573,750**	**250,000**	**43,893**	**26,250**	**9,532**	**–**	**316,143**	**1,219,568**
S Skurnac [6]	USA	**2016**	**775,093**	**–**	**289,708**	**44,359**	**6,865**	**–**	**308,672**	**1,424,697**
		2015	610,833	825,379	305,505	48,297	5,965	–	344,676	2,140,655
Former Executives										
D McGree	Australia	2015	753,568	94,711	3,295	25,000	410,333	778,568	1,139,617	3,205,092
Total		**2016**	**5,271,708**	**250,000**	**349,622**	**230,055**	**36,992**	**–**	**3,431,800**	**9,570,177**
		2015	4,072,007	3,517,082	613,126	236,870	428,228	778,568	4,281,298	13,927,179

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

2 Cash bonus amounts for FY16 and FY15 reflect the amounts accrued for all Executives under the FY16 and FY15 STI plans respectively. In accordance with Mr Knechtel's offer of employment, he received an US$200,000 signing bonus in FY15. In accordance with Mr Field's offer of employment, he received an AUD$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.

4 Other long-term benefits include amounts accrued for cash-based long-term incentive plans, long-service leave accrued (for Messrs McGree and 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 in British pounds.

7 Mr Field commenced employment 1 October 2015 and reflects remuneration for the period 1 October 2015 to 30 June 2016. Mr Knechtel commenced employment 28 October 2014 and his 2015 remuneration reflects remuneration for the period 28 October 2014 to 30 June 2015.

Fixed and actual 'at-risk' remuneration for FY16

Outlined below is the percentage of the Executives' (including the Executive Director and Group CEO) FY16 remuneration that was fixed and 'at-risk' based upon the statutory remuneration table. The percentage of their remuneration that consisted of rights/RSUs and options is also disclosed.

	Fixed Remuneration %	'At-Risk' Remuneration %	Remuneration consisting of rights/RSUs %	Remuneration consisting of options %
Executives				
G Claro	61%	39%	25%	14%
F Knechtel	59%	41%	28%	12%
W Schmiedel	57%	43%	31%	11%
A Field	54%	46%	21%	4%
S Skurnac	78%	22%	12%	10%

Guidelines for approval of Discretionary Awards

The guidelines for approval authority limits for individual discretionary cash awards and aggregate discretionary cash and / or equity awards are:

- **Individual awards:** Any individual discretionary cash and / or equity award in excess of US$250,000 must be presented to the Committee for approval.
- **Aggregate awards:** If the aggregate sum of the cash and / or equity award per occurrence is in excess of the Group CEO Discretionary Capital Expenditure authority (currently US$1,000,000), then it must be presented to the Committee for approval.

All discretionary awards that are approved by the Group CEO are subsequently presented to the Committee for ratification.

Securities Trading Policy

The trading of securities issued to participants pursuant to the LTI plan is subject to, and conditional upon, compliance with the terms of the Company's policy titled Dealings in *Sims Metal Management Limited Securities* (a copy of which is available on the Company's website at www.simsmm.com).

Executives are prohibited from entering into any hedging arrangements over unvested awards under the LTI plan. The Company would consider a breach of the Securities Trading Policy as serious misconduct, which may lead to disciplinary action up to and including dismissal.

5 EXECUTIVE CONTRACTS

5.1 Executive Director and Group CEO

The key terms of Mr Claro's employment contract are:

Commencement date	Contract duration	Notice period from the Company	Notice period from the Executive	Termination provisions
4 November 2013	The executive signed an ongoing contract effective 22 August 2014	3 months prior notice in writing	3 months prior notice in writing	Mr Claro's employment may be terminated immediately by the Company for cause, or by either party for convenience, or by Mr Claro for good reason, each term as defined in the contract.

Termination of employment: If Mr Claro's employment is terminated by the Company for convenience on 3 months' written notice, then Mr Claro will be entitled to:

a) a Severance Payment (see below);

b) a pro-rata STI in respect of the performance year in which the termination occurs and based on the actual performance results of the Group for that year (Pro-Rata Bonus), unless the Board determines otherwise acting reasonably having regard to the performance of Mr Claro over the preceding years;

c) continued vesting of any equity awards under the LTI plan (subject to any performance hurdles) granted to him before termination (Continued Equity Award Vesting), unless the Board determines otherwise as above;

d) any accrued but unpaid remuneration, accrued but untaken holiday leave (subject to Company policy) and reimbursement for incurred expenses (Accrued Benefits); and

e) up to 12 months of Company paid health insurance premiums (Insurance).

If Mr Claro terminates his employment for good reason, then he will be entitled to the Severance Payment, Pro-Rata Bonus, Continued Equity Award Vesting, Accrued Benefits, and the Insurance.

If his employment is terminated on the death or permanent disablement of Mr Claro, or in other circumstances determined at the discretion of the Board, then Mr Claro (or his beneficiary or legal representative) will be entitled to the Pro-Rata Bonus, Continued Equity Award Vesting and, other than on death, the Insurance.

If his employment is terminated by the Company for Cause, or if Mr Claro terminates for convenience on 3 months' written notice, then Mr Claro is only entitled to the Accrued Benefits.

Generally, as approved by shareholders on 14 November 2013, a Severance Payment is equal to Mr Claro's final year's total fixed remuneration.

Change of control: A change of control, as defined in the contract, of the Company, may allow Mr Claro to terminate his employment for good reason.

5.2 Executives

The key terms of the Executives' employment contracts are:

Name	Contract duration	Notice period from the Company	Notice period from the Executive	Termination provisions (other than for cause) and change of control provisions
F Knechtel	The executive signed an ongoing contract effective 22 August 2014	3 months prior notice in writing	3 months prior notice in writing	**Termination:** The termination provisions contain similar benefits as illustrated above under the Group CEO's contract, including: • 12 months base salary • Pro-rata STI bonus payment based on terms of the STI Plan • LTI awards continue to vest (subject to any performance conditions) in accordance with their original vesting schedule • Up to 12 months of Company paid health insurance premiums **Change of control:** The executive may be allowed to terminate his employment for good reason
W Schmiedel	The executive signed an ongoing contract effective 1 July 2014	3 months prior notice in writing	3 months prior notice in writing	**Termination:** The termination provisions are the same as in Mr Knechtel's contract described above **Change of control:** The executive may be allowed to terminate his employment for good reason
A Field	The executive signed an ongoing contract effective 1 October 2015	3 months prior notice in writing	3 months prior notice in writing	**Termination:** The termination provisions are the same as in Mr Knechtel's contract described above but do not include up to 12 months of Company paid health insurance premiums **Change of control:** The executive may be allowed to terminate his employment for good reason
S Skurnac	The executive signed an ongoing contract effective 1 July 2014	3 months prior notice in writing	3 months prior notice in writing	**Termination:** The termination provisions are the same as in Mr Knechtel's contract described above **Change of control:** The executive may be allowed to terminate his employment for good reason

6 NON-EXECUTIVE DIRECTORS' FEES

Key development:
Shareholder approval was given in FY16 to change the currency in which the maximum aggregate amount available for NEDs' Remuneration is denominated in any financial year from A$3 million to the greater of A$3 million and US$3 million per annum.

6.1 Approach to determining the Fees of NEDs

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.

6.2 NEDs' Fees

At the Company's 2015 AGM, shareholders approved a change in the currency in which the maximum aggregate amount available for NED remuneration (including superannuation) is denominated in any financial year from A$3 million to the greater of A$3 million and US$3 million per annum.

The Company will maintain its current policy of only paying NEDs who are US residents in US$. With approximately 58% 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.

The NED fee pool was set at A$3 million in November 2009. Since that time, the US$:A$ exchange rate has traded close to parity and often the A$ has traded at a premium to the US$. Thus, on a same currency basis, there has been little difference between the remuneration of each of the NEDs. However, the recent weakness of the A$ against the US$ throughout FY16 has resulted in an increase in the A$ equivalent of the fees paid to the US based NEDs, even though there has been no change in the fees paid to them in their home currency of US$.

The table below outlines NED fees for FY16 and FY15:

NED FEES (A$)/(US$)	2016	2015
Base fee (Chairperson)	**450,528**	450,528
Base fee (NED)	**203,424**	203,424
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.

6.3 Superannuation; no Retirement Benefits

For Australian resident NEDs, superannuation is paid in addition to the above fees. The Company pays superannuation at 9.50% 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 average exchange rate for the financial year. Accordingly, exchange rate movements have influenced the disclosed fee level.

			Short-term benefits	Post-employment benefits		
Name	**Location**	**Financial Year**	**Cash Fees A$**	**Super-annuation [1] A$**	**Total A$**	**Total US$**
R Bass [2]	USA	**2016**	**322,925**	**–**	**322,925**	**244,424**
		2015	247,700	–	247,700	229,391
N Bobins [2,3]	USA	**2016**	**–**	**–**	**–**	**–**
		2015	93,439	–	93,439	87,772
G Brunsdon	Australia	**2016**	**466,528**	**44,320**	**510,848**	**372,040**
		2015	460,661	43,763	504,424	422,808
J DiLacqua [2]	USA	**2016**	**322,925**	**–**	**322,925**	**244,424**
		2015	261,361	–	261,361	242,224
G Morris [2,3]	USA	**2016**	**–**	**–**	**–**	**–**
		2015	105,196	–	105,196	98,816
G Nelson [2,4]	USA	**2016**	**289,759**	**–**	**289,759**	**219,424**
		2015	153,368	–	153,368	138,522
D O'Toole [4]	Australia	**2016**	**221,091**	**21,004**	**242,095**	**176,312**
		2015	145,750	13,846	159,596	133,773
C Renwick	Australia	**2016**	**244,424**	**23,220**	**267,644**	**194,920**
		2015	242,224	23,011	265,235	222,320
H Ridout	Australia	**2016**	**235,424**	**22,365**	**257,789**	**187,743**
		2015	223,691	21,250	244,941	205,310
T Sato [5]	Japan	**2016**	**219,424**	**–**	**219,424**	**159,802**
		2015	213,424	–	213,424	178,892
J Thompson [2]	USA	**2016**	**322,925**	**–**	**322,925**	**244,424**
		2015	261,361	–	261,361	242,224
Total		**2016**	**2,645,425**	**110,909**	**2,756,334**	**2,043,513**
		2015	2,408,175	101,870	2,510,045	2,202,052

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, Bobins, DiLacqua, Morris and Thompson and Ms Nelson are residents of the USA and receive their payments in US dollars.
3 Messrs Bobins and Morris retired from the Board on 13 November 2014.
4 Ms Nelson and Ms O'Toole were appointed to the Board on 1 November 2014 and elected to the Board at the 2014 AGM on 13 November 2014.
5 Mr Sato is Mitsui's representative director. His NED fees are paid to a Mitsui affiliate in Australia.

7 SHARE-BASED PAYMENT DISCLOSURES AND EQUITY HOLDINGS

7.1 Options provided as Remuneration

The following table summarises the terms of outstanding option grants for the 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	15 Nov 13	138,714	$ 9.98	$2.77	31 Aug 16	15 Nov 20	66.7%	$8,311
	14 Nov 14	172,866	$10.85	$2.61	31 Aug 16	14 Nov 21	33.3%	$80,989
	13 Nov 15	343,650	$9.38	$1.14	31 Aug 16	13 Nov 22	0%	$219,033
F Knechtel	14 Nov 14	131,528	$10.85	$2.61	31 Aug 16	14 Nov 21	33.3%	$61,620
	13 Nov 15	196,022	$9.38	$1.14	31 Aug 16	13 Nov 22	0%	$124,938
W Schmiedel	15 Nov 13	75,032	$ 9.98	$2.77	31 Aug 16	15 Nov 20	66.7%	$4,496
	14 Nov 14	99,210	$10.85	$2.61	31 Aug 16	14 Nov 21	33.3%	$46,480
	13 Nov 15	208,273	$9.38	$1.14	31 Aug 16	13 Nov 22	0%	$132,747
A Field	13 Nov 15	109,537	$9.38	$1.14	31 Aug 16	13 Nov 22	0%	$69,816
S Skurnac	15 Nov 13	54,768	$ 9.98	$2.77	31 Aug 16	15 Nov 20	66.7%	$3,281
	14 Nov 14	64,136	$10.85	$2.61	31 Aug 16	14 Nov 21	33.3%	$30,047
	13 Nov 15	93,927	$9.38	$1.14	31 Aug 16	13 Nov 22	0%	$59,866

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	Instrument that options are over	Balance at 1 July 2015	Number granted	Number forfeited/ expired	Balance at 30 June 2016	Vested	Unvested	Number of options that vested during FY16	Value of options granted during FY16
G Claro	Ordinary shares	311,580	343,650	–	655,230	150,098	505,132	103,860	$390,616
F Knechtel	Ordinary shares	131,528	196,022	–	327,550	43,843	283,707	43,843	$222,812
W Schmiedel	ADSs	251,687	–	(41,113)	210,574	210,574	–	29,835	$–
	Ordinary shares	174,242	208,273	–	382,515	83,091	299,424	58,080	$236,737
A Field	Ordinary shares	–	109,537		109,537	–	109,537	–	$124,507
S Skurnac	ADSs	58,623	–	(12,399)	46,224	46,224	–	7,014	$–
	Ordinary shares	118,904	93,927	–	212,831	57,891	154,940	39,635	$106,764

7.2 Performance Rights and Restricted Stock Units (RSUs) provided as Remuneration

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

Name	Grant date	Number granted	Fair value at grant date	Date next tranche vests	Expiry date	Maximum total value of unvested grant [1]
Ordinary shares (A$)						
G Claro	15 Nov 13	123,436	$5.38	31 Aug 16	31 Aug 16	$35,556
	15 Nov 13	78,153	$9.61	31 Aug 16	31 Aug 16	$751,050 [2]
	14 Nov 14	127,467	$7.45	31 Aug 17	31 Aug 17	$350,166
	14 Nov 14	91,781	$10.10	31 Aug 17	31 Aug 17	$926,988 [3]
	13 Nov 15	167,826	$6.44	31 Aug 18	31 Aug 18	$1,080,799 [4]
	13 Nov 15	218,437	$3.56	31 Aug 18	31 Aug 18	$531,854
F Knechtel	28 Oct 14	34,955	$10.02	28 Oct 16	28 Oct 16	$57,418
	28 Oct 14	34,955	$9.72	28 Oct 17	28 Oct 17	$150,214
	14 Nov 14	48,493	$7.45	31 Aug 17	31 Aug 17	$133,215
	14 Nov 14	34,917	$10.10	31 Aug 17	31 Aug 17	$352,662 [3]
	13 Nov 15	47,865	$6.44	31 Aug 18	31 Aug 18	$308,251 [4]
	13 Nov 15	62,299	$3.56	31 Aug 18	31 Aug 18	$151,687
A Field	1 Oct 15 [5]	17,236	$9.59	1 Oct 16	1 Oct 16	$41,886
	1 Oct 15 [5]	17,236	$9.30	1 Oct 17	1 Oct 17	$100,294
	1 Oct 15 [5]	17,236	$9.03	1 Oct 18	1 Oct 18	$116,759
	13 Nov 15	26,747	$6.44	31 Aug 18	31 Aug 18	$172,251 [4]
	13 Nov 15	34,813	$3.56	31 Aug 18	31 Aug 18	$84,763
W Schmiedel	15 Nov 13	43,354	$5.38	31 Aug 16	31 Aug 16	$12,488
	15 Nov 13	21,983	$9.61	31 Aug 16	31 Aug 16	$211,257 [2]
	14 Nov 14	36,577	$7.45	31 Aug 17	31 Aug 17	$100,481
	14 Nov 14	26,337	$10.10	31 Aug 17	31 Aug 17	$266,004 [3]
	13 Nov 15	50,856	$6.44	31 Aug 18	31 Aug 18	$327,513 [4]
	13 Nov 15	66,193	$3.56	31 Aug 18	31 Aug 18	$161,168
	1 Mar 16 [6]	34,367	$6.73	1 Sep 16	1 Sep 16	$78,764
	1 Mar 16 [6]	34,367	$6.63	1 Mar 17	1 Mar 17	$151,902
S Skurnac	15 Nov 13	31,646	$5.38	31 Aug 16	31 Aug 16	$9,116
	15 Nov 13	16,046	$9.61	31 Aug 16	31 Aug 16	$154,202 [2]
	14 Nov 14	23,646	$7.45	31 Aug 17	31 Aug 17	$64,958
	14 Nov 14	17,026	$10.10	31 Aug 17	31 Aug 17	$171,963 [3]
	13 Nov 15	22,935	$6.44	31 Aug 18	31 Aug 18	$147,701 [4]
	13 Nov 15	29,852	$3.56	31 Aug 18	31 Aug 18	$72,684
ADSs (US$)						
W Schmiedel	11 Nov 11	9,753	$8.24	25 Aug 16	25 Aug 16	$–
	16 Nov 12	46,961	$4.12	31 Aug 16	31 Aug 17	$–
S Skurnac	11 Nov 11	2,293	$ 8.24	25 Aug 16	25 Aug 16	$–
	16 Nov 12	11,040	$ 4.12	31 Aug 16	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 FY14 subject to an EPS performance hurdle. Based on the Company's assessment at 30 June 2016, these performance rights will not vest. No amount has been expensed relating to these performance rights.

3 These grants relate to performance rights issued in FY15 subject to an EPS performance hurdle. Based on the Company's assessment at 30 June 2016, these performance rights will not vest. Previously recognised expense was reversed in FY16 for these awards.

4 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 FY16.

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

6 Mr Schmiedel received a special one-off RSU award of 103,100 shares on 1 March 2016, of which 34,367 shares vested immediately.

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 2015	Number granted	Number vested	Number forfeited	Balance at 30 June 2016
G Claro	Ordinary shares	479,089	386,263	(58,252)	–	807,100
F Knechtel	Ordinary shares	188,275	110,164	(34,955)	–	263,484
W Schmiedel	ADSs	103,659	–	(21,458)	(25,487)	56,714
	Ordinary shares	128,251	220,150	(34,367)	–	314,034
A Field	Ordinary shares	–	113,268	–	–	113,267
S Skurnac	ADSs	38,922	–	(21,112)	(4,477)	13,333
	Ordinary shares	88,364	52,787	–	–	141,151

7.3 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 2015	Received on exercise of options, performance rights and RSUs	Purchases/ (sales)	Other changes during the year	Balance at 30 June 2016
NEDs					
R Bass	15,000	–	3,000	–	18,000
G Brunsdon	22,057	–	–	–	22,057
J DiLacqua	2,500	–	–	–	2,500
G Nelson	6,700	–	–	–	6,700
D O'Toole	3,000	–	5,000	–	8,000
C Renwick	13,144	–	–	–	13,144
H Ridout	5,000	–	–	–	5,000
T Sato	–	–	–	–	–
J Thompson	12,000	–	10,000	–	22,000
Executives					
G Claro	38,253	58,252	–	–	96,505
F Knechtel	–	34,955	–	–	34,955
W Schmiedel	4,526	55,825	(34,367)	–	25,984
A Field	–	–	–	–	–
S. Skurnac	2,556	21,112	–	–	23,668

8 OTHER TRANSACTIONS WITH KMP

Transactions entered into with any Directors or other 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 director remuneration is paid directly to Mitsui & Co. In FY16, the Group paid A$219,424 to Mitsui & Co. for director remuneration (2015: A$213,424).

9 SHAREHOLDER OUTREACH

Our Board of Directors believe accountability to our shareholders is a mark of good governance practice and critical to our Company's continue future success. As a result, the Company has an active shareholder outreach process and routinely interacts with its shareholders to better understand their views on the Company's executive remuneration programs. Although the last publicly disclosed advisory vote on the Company's remuneration report received majority support, the Committee and senior management believe it is critical to continue to engage with shareholders on remuneration and governance matters.

The Committee considers all feedback from the Company's shareholders and stakeholders, as well as additional information from its independent compensation consultant and other advisors, to highlight possible changes to the Company's executive remuneration programs.

The Company, as well as members of the Committee, believe that it is critical to continue to seek shareholder input on the Company's programs, to ensure best-in-class remuneration plan design, in order to provide the appropriate rewards to the Company's senior leaders and executive teams to drive sustainable financial growth and shareholder value.

At the 2015 AGM, the Company's shareholders approved the resolution to adopt the FY15 Remuneration Report with 91% of votes having been cast in favour by way of a poll.

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 2016

G Claro
Managing Director and Group CEO
Sydney

25 August 2016

FINANCIAL REPORT | CONTENTS

CONSOLIDATED INCOME STATEMENTS | FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 A$m	2015 A$m
Continuing operations			
Revenue	3	**4,663.9**	6,328.1
Other income	3	**19.4**	48.8
Raw materials used and changes in inventories		**(3,014.3)**	(4,477.1)
Freight expense		**(379.3)**	(491.5)
Employee benefits expense		**(566.8)**	(581.4)
Depreciation and amortisation expense	5	**(126.4)**	(120.8)
Repairs and maintenance expense		**(86.1)**	(95.7)
Other expenses		**(557.3)**	(468.3)
Impairment of goodwill and other intangibles	4	**(53.0)**	–
Impairment of investment in joint venture	4	**(119.1)**	–
Finance costs		**(13.0)**	(17.3)
Share of results of associates and joint ventures	24	**6.8**	12.2
(Loss)/profit before income tax		**(225.2)**	137.0
Income tax benefit/(expense)	12	**8.7**	(27.2)
(Loss)/profit from continuing operations		**(216.5)**	109.8
Discontinued operations			
Profit from discontinued operations		**–**	0.1
(Loss)/profit for the year		**(216.5)**	109.9

	Note	A¢	A¢
(Loss)/earnings per share			
From continuing and discontinued operations			
Basic	7	**(106.8)**	53.7
Diluted	7	**(106.8)**	53.3
From continuing operations			
Basic	7	**(106.8)**	53.6
Diluted	7	**(106.8)**	53.2

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME | FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 A$m	2015 A$m
(Loss)/profit for the year		**(216.5)**	109.9
Other comprehensive income:			
Items that may be reclassified to the income statement, net of tax			
Movement in cash flow hedging reserve	20	**0.7**	(2.2)
Foreign exchange translation differences arising during the period	20	**36.3**	216.6
Recycling of foreign currency translation reserve on disposal of foreign operations and associates	20	**–**	(1.0)
Share of other comprehensive income of associates	24	**–**	0.4
Items that will not be reclassified to the income statement, net of tax			
Re-measurements of defined benefit plans		**(3.2)**	(3.1)
Other comprehensive income for the year, net of tax		**33.8**	210.7
Total comprehensive (loss)/income for the year		**(182.7)**	320.6

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION | AS AT 30 JUNE 2016

	Note	2016 A$m	2015 A$m
Current assets			
Cash and cash equivalents	17	**248.3**	316.0
Trade and other receivables	8	**397.9**	396.6
Inventory	9	**398.3**	476.4
Other financial assets	16	**11.6**	15.4
Assets classified as held for sale	31	**24.6**	1.8
Total current assets		**1,080.7**	1,206.2
Non-current assets			
Investments in associates and joint ventures	24	**190.2**	299.4
Other financial assets	16	**16.1**	12.4
Property, plant and equipment	10	**985.1**	1,031.8
Retirement benefit assets	15	**4.5**	2.9
Deferred tax assets	12	**124.5**	99.9
Intangible assets	11	**169.8**	229.2
Total non-current assets		**1,490.2**	1,675.6
Total assets		**2,570.9**	2,881.8
Current liabilities			
Trade and other payables	13	**432.9**	527.7
Borrowings	18	**2.1**	0.5
Other financial liabilities	16	**12.8**	1.6
Current tax liabilities		**11.3**	12.2
Provisions	14	**69.2**	64.0
Total current liabilities		**528.3**	606.0
Non-current liabilities			
Payables	13	**8.8**	6.8
Borrowings	18	**4.1**	1.6
Deferred tax liabilities	12	**103.2**	96.4
Provisions	14	**85.7**	51.8
Retirement benefit obligations	15	**8.3**	6.4
Total non-current liabilities		**210.1**	163.0
Total liabilities		**738.4**	769.0
Net assets		**1,832.5**	2,112.8
Equity			
Contributed equity	19	**2,737.3**	2,797.4
Reserves	20	**68.3**	22.0
Accumulated deficit	20	**(973.1)**	(706.6)
Total equity		**1,832.5**	2,112.8

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY | FOR THE YEAR ENDED 30 JUNE 2016

	Note	Contributed equity A$m	Reserves A$m	Accumulated deficit A$m	Total equity A$m
Balance at 1 July 2014		2,796.4	(202.3)	(760.2)	1,833.9
Profit for the year		–	–	109.9	109.9
Other comprehensive income/(loss)		–	213.8	(3.1)	210.7
Total comprehensive income for the year		–	213.8	106.8	320.6
Transactions with owners in their capacity as owners:					
Dividends paid	6	–	–	(53.2)	(53.2)
Share options exercised		1.0	–	–	1.0
Share-based payments expense, net of tax		–	10.5	–	10.5
		1.0	10.5	(53.2)	(41.7)
Balance at 30 June 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**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS | FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 A$m	2015 A$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**4,818.3**	6,526.3
Payments to suppliers and employees (inclusive of goods and services tax)		**(4,666.5)**	(6,197.8)
Interest received		**3.3**	7.7
Interest paid		**(11.3)**	(15.8)
Insurance recoveries		**0.1**	5.1
Dividends received from associates and joint ventures	24	**7.0**	13.1
Income taxes paid		**(19.6)**	(40.5)
Net cash inflows from operating activities	17	**131.3**	298.1
Cash flows from investing activities			
Payments for property, plant and equipment		**(108.9)**	(95.3)
Proceeds from sale of property, plant and equipment		**6.2**	11.8
Proceeds from sale of assets held for sale		**6.3**	4.2
Payments for acquisition of subsidiaries, net of cash acquired	22	**–**	(5.7)
Proceeds from sale of interest in associate		**0.1**	74.5
Proceeds from sale of a loan		**–**	52.2
Payments for other financial assets		**(1.7)**	(1.0)
Proceeds from sale of other financial assets		**2.1**	1.5
Loans to third parties		**(0.6)**	(0.8)
Proceeds from repayment on third party loans		**0.7**	0.3
Net cash (outflows)/inflows from investing activities		**(95.8)**	41.7
Cash flows from financing activities			
Proceeds from borrowings		**586.2**	2,001.7
Repayment of borrowings		**(585.0)**	(2,049.4)
Fees paid for loan facilities		**(4.1)**	–
Repayment of finance leases		**(1.7)**	(0.5)
Share buy-back	19	**(60.3)**	–
Proceeds from issue of shares	19	**0.2**	1.0
Dividends paid	6	**(46.8)**	(53.2)
Net cash outflows from financing activities		**(111.5)**	(100.4)
Net (decrease)/increase in cash and cash equivalents		**(76.0)**	239.4
Cash and cash equivalents at the beginning of the financial year		**316.0**	57.2
Effects of exchange rate changes on cash and cash equivalents		**8.3**	19.4
Cash and cash equivalents at the end of the financial year	17	**248.3**	316.0

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

OVERVIEW

NOTE 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 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and 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 2015, 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

NOTE 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.
- **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, Canada, 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 an associate and joint venture in Hong Kong and Australia, and the Group's non-ferrous central marketing 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 melting, 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]

	2016 A$m	2015 A$m
Australia	**285.7**	365.1
China	**560.5**	833.9
Turkey	**679.9**	769.8
Germany	**233.9**	220.8
United States	**1,049.8**	1,450.6
Other	**1,841.9**	2,670.7
Total sales revenue	**4,651.7**	6,310.9

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

	2016 A$m	2015 A$m
Ferrous secondary recycling	**2,703.0**	4,067.7
Non-ferrous secondary recycling	**1,055.3**	1,341.7
Recycling solutions	**792.7**	795.0
Secondary processing and other services	**100.7**	106.5
Total sales revenue	**4,651.7**	6,310.9

Information about reportable segments

	North America Metals A$m	ANZ Metals A$m	Europe Metals A$m	Global E-Recycling A$m	Unallocated A$m	Total A$m
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 from continuing operations						**(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**
2015						
Total sales revenue	3,416.5	1,053.3	1,036.6	795.0	9.5	6,310.9
Other revenue	4.5	5.0	0.4	0.1	7.2	17.2
Total segment revenue	3,421.0	1,058.3	1,037.0	795.1	16.7	6,328.1
Segment EBIT	17.8	57.3	25.5	41.8	2.4	144.8
Interest income						9.5
Finance costs						(17.3)
Profit before tax from continuing operations						137.0
Assets	1,335.0	463.3	258.3	473.3	351.9	2,881.8
Liabilities	264.5	126.8	89.7	160.4	127.6	769.0
Net assets	1,070.5	336.5	168.6	312.9	224.3	2,112.8
Other items:						
Depreciation and amortisation	(68.9)	(27.7)	(12.5)	(11.2)	(0.5)	(120.8)
Share of results of associates and joint ventures	2.0	–	–	–	10.2	12.2
Investments in associates and joint ventures	264.6	0.1	–	–	34.7	299.4
Capital expenditures	38.4	44.7	5.2	5.5	1.5	95.3

NOTE 3 – REVENUE AND OTHER INCOME

	2016 A$m	2015 A$m
Sales revenue		
Sale of goods	**4,542.0**	6,215.2
Service revenue	**109.7**	95.7
	4,651.7	6,310.9
Other revenue		
Interest income	**3.3**	9.5
Rental and dividend income	**8.9**	7.7
	12.2	17.2
Total revenue	**4,663.9**	6,328.1
Net gain on commodity derivatives	**5.9**	30.3
Net gain on currency derivatives	**–**	2.1
Net foreign exchange gain	**0.5**	1.0
Net gain on disposal of property, plant and equipment	**3.6**	2.8
Gain on sale of other financial assets	**0.2**	0.9
Insurance recoveries	**0.1**	5.1
Government grants	**1.3**	0.3
Third party commissions	**0.7**	1.0
Gain on sale of associates	**–**	1.0
Other	**7.1**	4.3
Total other income	**19.4**	48.8

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.

NOTE 4 – SIGNIFICANT ITEMS

	2016 A$m	2015 A$m
Impairments:		
Impairment of goodwill (note 11)	**43.3**	–
Impairment of other intangible assets (note 11)	**9.7**	–
Impairment of investment in joint venture (note 24)	**119.1**	–
Reversal of impairment of investment in an associate [1]	**–**	(6.3)
Impairment of property, plant and equipment (note 10) [2]	**31.8**	0.5
Redundancies [3]	**9.8**	7.8
Lease settlements and onerous lease provisions [4]	**44.5**	–
Yard closure costs and dilapidation provisions/(reversals) [4]	**13.9**	(1.6)
Income related to withdrawal liability from multi-employer pension plans	**–**	(5.9)

1 Represents the partial reversal of a previously recorded impairment of the Group's former investment in Chiho-Tiande Group Limited.

2 Impairments primarily related to the Group's resetting plans that were announced in November 2015.

3 2015 amount also includes acceleration of share-based compensation related to redundancies.

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.

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.

NOTE 5 – EXPENSES

	2016 A$m	2015 A$m
Depreciation and amortisation:		
Depreciation expense	**113.4**	106.1
Amortisation expense	**13.0**	14.7
	126.4	120.8
Finance costs	**13.0**	17.3
Net loss on currency derivatives	**8.1**	–
Net loss on revaluation of financial assets at fair value through profit or loss	**0.5**	0.9
Rental expenses relating to operating leases	**100.7**	99.5

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$7.9 million (2015: A$8.3 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 the income statement on a straight-line basis over the period of the lease.

NOTE 6 – DIVIDENDS

	Cents per share	Amount A$m
2016:		
Interim 2016 (0% franked)	**10.0**	**20.1**
Final 2015 (100% franked)	**13.0**	**26.7**
		46.8
2015:		
Interim 2015 (100% franked)	16.0	32.7
Final 2014 (100% franked)	10.0	20.5
		53.2

Since the end of the financial year, the directors have determined to pay a final dividend of 12 cents per share 100% franked. The aggregate amount of the proposed dividend expected to be paid on 21 October 2016, but not recognised as a liability at the end of the reporting period, is A$23.7 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 2016, there are A$39.5 million (2015: A$39.0 million) estimated franking credits available to shareholders for subsequent financial years.

NOTE 7 – (LOSS)/EARNINGS 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.

	2016	2015
Basic (loss)/earnings per share (in A¢)		
From continuing operations	**(106.8)**	53.6
From discontinued operations	**–**	0.1
Total basic (loss)/earnings per share	**(106.8)**	53.7
Diluted (loss)/earnings per share (in A¢)		
From continuing operations	**(106.8)**	53.2
From discontinued operations	**–**	0.1
Total diluted (loss)/ earnings per share	**(106.8)**	53.3
Weighted average number of shares used in the denominator ('000)		
Basic shares	**202,737**	204,701
Dilutive effect of share-based awards	**–**	1,653
Diluted shares	**202,737**	206,354

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.

ASSETS AND LIABILITIES

NOTE 8 – TRADE AND OTHER RECEIVABLES

	2016 A$m	2015 A$m
Trade receivables	**332.6**	317.8
Provision for impairment of receivables	**(3.1)**	(4.4)
Net trade receivables	**329.5**	313.4
Other receivables	**37.1**	55.7
Tax receivable	**6.7**	2.6
Prepayments	**24.6**	24.9
Total current receivables	**397.9**	396.6
Movement in provision for impairment of receivables		
Balance at 1 July	**4.4**	10.8
Provision recognised during the year	**0.4**	0.3
Write-offs	**(1.7)**	(8.2)
Foreign exchange differences	**–**	1.5
Balance at 30 June	**3.1**	4.4
Past due but not impaired		
Days overdue		
1 – 30 days	**27.5**	22.2
31 – 60 days	**4.9**	6.0
Over 60 days	**4.3**	5.3
	36.7	33.5

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 the income statement.

NOTE 9 – INVENTORIES

	2016 A$m	2015 A$m
Raw materials	**78.3**	99.5
Finished goods	**300.6**	357.9
Stores and spare parts	**19.4**	19.0
	398.3	476.4

The cost of inventories recognised as expense during the year ended 30 June 2016 amounted to A$3,123.2 million (2015: A$4,606.6 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 current assessments of future demand and market conditions. Impairment losses may be recognised on inventory if management needs to revise its estimates of net realisable value in response to changing market conditions.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

	Land A$m	Buildings A$m	Leasehold improvements A$m	Plant & equipment[1] A$m	Capital work in progress A$m	Total A$m
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[2]	**(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**
At 30 June 2015						
Cost	319.7	332.1	86.6	1,188.4	70.0	1,996.8
Accumulated depreciation	–	(124.8)	(57.7)	(782.5)	–	(965.0)
Net book amount	319.7	207.3	28.9	405.9	70.0	1,031.8
Movement						
Balance at 1 July	270.5	174.3	30.4	387.5	40.3	903.0
Additions	–	1.0	0.8	8.2	85.3	95.3
Disposals	–	–	–	(3.7)	(0.1)	(3.8)
Acquisitions (note 22)	–	–	–	3.1	–	3.1
Transfers	(0.8)	18.1	1.7	39.8	(59.6)	(0.8)
Reclassified from assets held for sale	0.6	0.2	–	3.3	–	4.1
Impairments[2]	–	–	(0.1)	(0.4)	0.2	(0.3)
Depreciation expense[3]	–	(15.9)	(7.2)	(83.3)	–	(106.4)
Foreign exchange differences	49.4	29.6	3.3	51.4	3.9	137.6
Balance at 30 June	319.7	207.3	28.9	405.9	70.0	1,031.8

1 The net book value of assets acquired through finance leases was A$6.1 million as at 30 June 2016 (2015: A$2.1 million).

2 2016 impairments relate to the Group's resetting plans. 2015 impairments include reversals of A$0.2 million relating to discontinued operations.

3 Includes depreciation expense for discontinued operations of A$0.3 million.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

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 the income statement.

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.

NOTE 11 – INTANGIBLE ASSETS

	Goodwill A$m	Supplier relationships A$m	Permits A$m	Licenses/ Contracts A$m	Trade names A$m	Total A$m
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**
At 30 June 2015						
Cost	1,547.8	267.2	11.1	45.7	39.7	1,911.5
Accumulated impairment	(1,397.8)	(5.6)	(8.9)	(0.1)	(0.1)	(1,412.5)
Accumulated amortisation	–	(212.6)	–	(42.7)	(14.5)	(269.8)
Net book amount	150.0	49.0	2.2	2.9	25.1	229.2
Movement						
Balance at 1 July	139.3	49.3	1.8	3.2	22.2	215.8
Amortisation expense	–	(10.8)	–	(2.0)	(1.9)	(14.7)
Acquisitions	2.6	0.4	–	1.4	–	4.4
Foreign exchange differences	8.1	10.1	0.4	0.3	4.8	23.7
Balance at 30 June	150.0	49.0	2.2	2.9	25.1	229.2

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	2016 A$m	2015 A$m
US Recycling Solutions	Global E-Recycling	**–**	39.6
Continental Europe Recycling Solutions	Global E-Recycling	**64.3**	62.8
Australia Metals	ANZ Metals	**42.0**	42.1
North America Metals	North America Metals	**1.5**	1.5
India Recycling Solutions	Global E-Recycling	**–**	1.5
United Kingdom Metals	Europe Metals	**–**	0.2
All other CGUs		**2.5**	2.3
Total		**110.3**	150.0

Impairment charge

In the year ended 30 June 2016, the following impairment charges were recognised:

CGU	Goodwill A$m	Other intangibles A$m
US Recycling Solutions	**41.6**	**2.9**
North America Metals	**–**	**6.8**
India Recycling Solutions	**1.5**	–
United Kingdom Metals	**0.2**	–
Total	**43.3**	**9.7**

The impairment charge for US Recycling Solutions was a result of the assessment of future cash flows. This CGU was impacted by margin pressure resulting from a competitive market landscape and volatility in underlying commodity pricing. As a result, the future cash flows for US Recycling Solutions were reassessed which indicated the carrying value of goodwill was not fully recoverable.

NOTE 11 – INTANGIBLE ASSETS (CONTINUED)

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$58.4 million of other intangibles at 30 June 2016. The impairment testing for this CGU at 30 June 2016 reflected excess headroom of A$104.1 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 30 June 2016. If the discount rate was 1% higher, with all other assumptions being the same, an impairment charge of A$12.5 million would have been recorded.

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, exchange 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 2017 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 2017 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	
CGU	2016 %	2015 %	2016 %	2015 %
US Recycling Solutions	**13.4**	14.7	**2.0**	2.3
North America Metals	**12.3**	13.5	**2.0**	2.3
Continental Europe Recycling Solutions	**11.6**	12.3	**1.5-2.2**	1.6-1.9
Australia Metals	**13.9**	14.7	**2.6**	2.8
India Recycling Solutions	**14.9**	13.1	**8.5**	8.3
United Kingdom Metals	**10.1**	10.8	**2.5**	1.9
All other CGUs	**9.1-20.1**	10.1-15.6	**1.1-5.8**	1.2-5.6

NOTE 12 – INCOME TAXES

	2016 A$m	2015 A$m
Income tax expense		
Current income tax charge	**14.3**	30.7
Adjustments for prior years	**(2.8)**	(1.9)
Deferred income tax	**(20.2)**	(1.6)
Tax (benefit)/expense – continuing operations	**(8.7)**	27.2
Tax expense – discontinued operations	**–**	–
Income tax (benefit)/expense	**(8.7)**	27.2
Reconciliation of income tax expense to prima facie income tax expense		
(Loss)/profit before income tax from continuing operations	**(225.2)**	137.0
Tax at the standard Australian rate of 30%	**(67.5)**	41.1
Effect of tax rates in other jurisdictions	**(2.4)**	(0.7)
Deferred tax assets not recognised	**17.2**	2.7
Recognition of tax effect of previously unrecognised tax losses	**(1.1)**	(8.0)
Non-deductible expenses	**3.7**	4.5
Non-deductible/(assessable) impairment of associates and joint ventures	**41.5**	(1.2)
Share of net results of associates and joint ventures	**(2.6)**	(1.6)
Non-assessable income	**(3.1)**	(6.8)
Share-based payments	**3.2**	1.8
Adjustments for prior years	**(0.1)**	(2.8)
Other	**2.5**	(1.8)
Tax (benefit)/expense – continuing operations	**(8.7)**	27.2
Tax expense – discontinued operations	**–**	–
Income tax (benefit)/expense	**(8.7)**	27.2
Income tax charged directly to equity		
Share-based payments	**–**	2.9
Exchange gain on foreign denominated intercompany loans	**6.1**	29.4
	6.1	32.3
Tax expense/(benefit) relating to items of other comprehensive income		
Cash flow hedges	**0.3**	(0.4)
Defined benefit plans	**0.3**	1.7
	0.6	1.3

NOTE 12 – INCOME TAXES (CONTINUED)

	2016 A$m	2015 A$m
Deferred tax assets and liabilities		
Deferred tax assets		
The balance comprises temporary difference attributable to:		
(amounts recognised in the income statement)		
Provisions and other accruals	**30.7**	16.1
Employee benefits	**18.7**	33.0
Inventory and consumables	**2.6**	2.4
Property, plant and equipment	**10.7**	4.3
Intangibles	**37.3**	27.0
Joint ventures and associates	**3.5**	2.4
Tax loss carryforwards and tax credits	**12.9**	13.0
Share-based payments	**5.8**	0.5
Other	**1.9**	0.3
	124.1	99.0
(amounts recognised directly in equity)		
Defined benefit plans	**0.4**	0.7
Cash flow hedges	**–**	0.2
	0.4	0.9
Movements		
Balance at 1 July	**99.9**	99.4
Charged to income statement	**24.1**	3.4
Adjustments for prior years	**(1.0)**	5.3
Transfers	**–**	4.5
Charged directly to equity and other comprehensive income	**(0.6)**	(26.4)
Foreign exchange differences	**2.1**	13.7
Balance at 30 June	**124.5**	99.9
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
(amounts recognised in the income statement)		
Intangible assets	**1.8**	1.8
Property, plant and equipment	**80.5**	78.4
Inventory and consumables	**2.1**	2.3
Joint ventures and associates	**2.7**	4.2
Employee benefits	**–**	2.1
Other	**2.5**	0.2
	89.6	89.0
(amounts recognised directly in equity)		
Cash flow hedges	**0.1**	–
Exchange gain on foreign denominated intercompany loans	**13.5**	7.4
	13.6	7.4

	2016 A$m	2015 A$m
Movements		
Balance at 1 July	**96.4**	66.0
Charged to income statement	**3.9**	1.8
Charged directly to equity and other comprehensive income	**6.1**	7.2
Adjustments for prior years	**(3.8)**	3.4
Transfers	**–**	4.5
Acquisitions	**–**	0.4
Foreign exchange differences	**0.6**	13.1
Balance at 30 June	**103.2**	96.4

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 the income statement, 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.

The Group has recognised a deferred tax asset of A$23.6 million for the US Recycling Solutions CGU, of which A$2.0 million relates to unused tax losses. The US Recycling Solutions CGU recognised a taxable loss in FY16 primarily as a result of impairment and restructuring charges. It is expected that these temporary differences and losses will be utilised as this CGU makes taxable profits in future periods following the completion of the resetting plan.

The Group has not recognised deferred tax assets totaling A$99.5 million (2015: A$98.0 million) as it is not probable that they will be realised. The majority of the unrecognised deferred tax asset relates to unused tax losses of A$79.7 million (2015: A$67.0 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$39.5 million (2015: A$22.6 million) of tax losses that will expire in 5 to 20 years. Other unused tax losses may be carried forward indefinitely.

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.

NOTE 13 – TRADE AND OTHER PAYABLES

	2016 A$m	2015 A$m
Current:		
Trade payables	**259.5**	318.8
Other payables	**137.4**	168.4
Deferred income	**36.0**	40.5
	432.9	527.7
Non-current:		
Other payables	**8.8**	6.8

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.

NOTE 14 – PROVISIONS

	2016 A$m	2015 A$m
Employee benefits	**41.9**	45.5
Self-insured risks	**22.6**	21.9
Onerous lease provisions	**47.2**	16.0
Legal provisions	**18.2**	18.3
Property “make-good”	**23.4**	12.9
Other	**1.6**	1.2
	154.9	115.8
Current	**69.2**	64.0
Non-current	**85.7**	51.8
	154.9	115.8

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	**21.9**	**16.0**	**18.3**	**12.9**	**1.2**
Provisions recognised/(reversed)	**(0.1)**	**42.3**	**1.2**	**12.6**	**0.4**
Payments	**–**	**(6.6)**	**(1.9)**	**(1.5)**	**–**
Foreign exchange differences	**0.8**	**(4.5)**	**0.6**	**(0.6)**	**–**
Balance at 30 June	**22.6**	**47.2**	**18.2**	**23.4**	**1.6**

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. 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.

NOTE 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.

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$9.7 million in the year ended 30 June 2016 (2015: A$9.6 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 financial year.

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

	2016 A$m	2015 A$m
Present value of accumulated defined benefit obligations	**92.4**	100.1
Fair value of defined benefit plan assets	**(88.6)**	(96.6)
Net amount	**3.8**	3.5
Net amount comprised of:		
Retirement benefit assets	**(4.5)**	(2.9)
Retirement benefit obligations	**8.3**	6.4
Net defined benefit liability	**3.8**	3.5

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

	2016 A$m	2015 A$m
Balance at the beginning of the financial year	**3.5**	2.5
Actuarial losses recorded in comprehensive income	**2.9**	1.4
Current service cost	**1.1**	1.2
Past service cost including gain on curtailment	**(1.2)**	–
Net interest cost	**0.2**	0.2
Employer contributions	**(2.9)**	(2.6)
Foreign exchange differences	**0.2**	0.8
Balance at the end of the financial year	**3.8**	3.5

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

	2016	2015
Discount rate	**3.5%**	3.8%
Rate of increase in salaries	**3.2%**	3.5%
Rate of increase in Retail Price Index (UK defined benefit plan only)	**3.0%**	3.3%

The Group expects to make contributions of A$3.0 million to the defined benefit plans during the next financial year.

The major categories of plan assets are as follows:

	2016 A$m	2015 A$m
Cash	**3.4**	5.3
Equity investments	**58.8**	56.3
Debt instruments	**25.0**	26.8
Property	**1.4**	8.2
Total plan assets	**88.6**	96.6

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 liability (excluding interest) are recognised immediately in other comprehensive income.

The Group determined the net interest expense (income) on the net defined benefit liability (asset) 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 liability (asset), adjusted for any changes in the net defined benefit liability (asset) during the period resulting from contributions and benefit payments. Net interest expense related to the defined benefit plans is recognised in the income statement.

NOTE 16 – OTHER FINANCIAL ASSETS AND LIABILITIES

	2016 A$m	2015 A$m
Other financial assets – Current:		
Investments in marketable securities	**8.9**	9.0
Loans to third parties carried at amortised cost	**0.8**	0.9
Derivative financial instruments:		
Forward foreign exchange contracts	**1.7**	2.8
Forward commodity contracts	**0.2**	2.7
	11.6	15.4
Other financial assets – Non-current:		
Loans to third parties carried at amortised cost	**–**	0.1
Other receivables	**16.1**	12.3
	16.1	12.4
Other financial liabilities – Current:		
Derivative financial instruments:		
Forward foreign exchange contracts	**7.1**	1.5
Forward commodity contracts	**5.7**	0.1
	12.8	1.6

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 the income statement.

CAPITAL STRUCTURE AND RISK MANAGEMENT

NOTE 17 – CASH AND CASH EQUIVALENTS

	2016 A$m	2015 A$m
Cash at bank and on hand	**248.3**	316.0
Cash and cash equivalents	**248.3**	316.0

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

	2016 A$m	2015 A$m
(Loss)/profit for the year	**(216.5)**	109.9
Adjustments for non-cash items:[1]		
Depreciation and amortisation	**126.4**	121.1
Non-cash interest expense	**2.9**	1.7
Unrealised loss/(gain) on held for trading derivatives	**16.7**	(7.8)
Impairment of goodwill and other intangibles	**53.0**	–
Impairment of property, plant and equipment	**31.8**	0.3
Impairment/(reversal) of investments in associates and joint ventures	**119.1**	(6.3)
Net gain on disposal of property, plant and equipment	**(3.6)**	(3.0)
Gain on sale of associate	**–**	(1.0)
Non-cash share-based payments expense	**9.2**	13.4
Non-cash retirement benefit expense	**0.1**	1.2
Imputed portion of interest income on convertible loan	**–**	(1.8)
Equity accounted results net of dividends received	**0.2**	7.2
Change in operating assets and liabilities, excluding the effects of acquisitions and disposals of entities:		
Decrease in trade and other receivables	**0.8**	92.4
Decrease in inventories	**78.8**	126.6
(Increase)/decrease in prepayments	**(12.8)**	2.2
Increase/(decrease) in provisions	**42.4**	(8.9)
Decrease in income taxes	**(1.1)**	(13.0)
Decrease in deferred taxes	**(24.9)**	(3.1)
Decrease in trade and other payables	**(91.2)**	(133.0)
Net cash inflows from operating activities	**131.3**	298.1

1 Includes both continuing and discontinued operations.

Non-cash investing and financing activities

Equipment totaling A$6.3 million was acquired through finance leases in the year ended 30 June 2016 (2015: nil).

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.

NOTE 18 – BORROWINGS

All borrowings outstanding at the balance date 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.

	2016 A$m	2015 A$m
Unsecured global multi-currency/multi-option loan facilities	**1,281.2**	1,574.1
Amount of credit unused	**1,251.8**	1,529.9

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 the income statement 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 the income statement 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.

NOTE 19 – CONTRIBUTED EQUITY

	2016		2015	
	Number of shares	A$m	Number of shares	A$m
On issue per share register at the beginning of the period	**204,864,886**	**2,797.4**	204,601,321	2,796.4
Share buy-back	**(7,945,261)**	**(60.3)**	–	–
Issued under long-term incentive plans	**765,538**	**0.2**	263,565	1.0
On issue per share register at the end of the period	**197,685,163**	**2,737.3**	204,864,886	2,797.4

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

Share buy-back

On 18 November 2015, the Company announced an on-market share buy-back program which will allow the buy-back of a maximum of 10% of issued capital, approximately 20.5 million ordinary shares, over a 12-month period. The buy-back commenced on 7 December 2015 and the reacquired shares have been cancelled. Details regarding the shares purchased during the year ended 30 June 2016 are as follows:

Ordinary shares purchased	**7,945,261**
High Price	**A$10.03**
Low Price	**A$5.97**
Average Price	**A$7.59**

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.

NOTE 20 – RESERVES AND ACCUMULATED DEFICIT

Reserves

	Share-based payments A$m	Available-for-sale investments A$m	Cash flow hedging A$m	Foreign currency translation A$m	Total A$m
Balance at 1 July 2014	126.2	0.1	1.3	(329.9)	(202.3)
Equity-settled share-based payment expense	13.4	–	–	–	13.4
Revaluation – gross	–	–	(1.2)	–	(1.2)
Transfer to the income statement – gross	–	–	(1.4)	–	(1.4)
Foreign currency translation differences	–	–	–	246.0	246.0
Associates [1]	–	(0.1)	0.3	(0.8)	(0.6)
Deferred tax	(2.9)	–	0.4	(29.4)	(31.9)
Balance at 30 June 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 the income statement – 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**

1 Includes A$1.0 million gain on recycling of reserves on disposal of an associate.

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 the income statement 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 the income statement when the associated hedged transaction impacts the income statement.

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 the income statement when the Group disposes of the foreign operation.

Accumulated deficit

	2016 A$m	2015 A$m
Balance at 1 July	**(706.6)**	(760.2)
(Loss)/profit after tax	**(216.5)**	109.9
Dividends paid	**(46.8)**	(53.2)
Actuarial loss on defined benefit plans, net of tax	**(3.2)**	(3.1)
Balance at 30 June	**(973.1)**	(706.6)

NOTE 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 2016, the Group had a net cash position of A$242.1 million (2015: A$313.9 million).

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 transactions denominated in currencies that are not the functional currency of the relevant entity.

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)	
Currency:	**2016 A$m**	**2015 A$m**
US dollar	**27.8**	9.0
Euro	**5.5**	27.6
British pounds sterling	**0.7**	0.7

NOTE 21 – FINANCIAL RISK MANAGEMENT (CONTINUED)

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	
	2016 A$m	**2015 A$m**
A$m		
US dollar	**(8.8)**	(5.5)
Euro	**(0.9)**	(0.3)
British pounds sterling	**–**	0.1

	Impact on equity – higher	
	2016 A$m	**2015 A$m**
US dollar	**34.6**	33.9

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 the income statement. 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$11.0 million (2015: A$8.9 million). A 10% depreciation of the stated commodity prices would have an equal and opposite effect.

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 the income statement.

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.

NOTE 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
2016					
Non-derivatives:					
Trade and other payables	**432.9**	**1.8**	**2.4**	**4.6**	**441.7**
Finance lease liabilities	**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**
2015					
Non-derivatives:					
Trade and other payables	527.7	1.8	0.8	4.2	534.5
Finance lease liabilities	0.6	0.6	1.1	0.1	2.4
Derivatives:					
Net settled (forward commodity contracts)	0.1	–	–	–	0.1
Gross settled (forward foreign exchange contracts):					
– (inflows)	(76.2)	–	–	–	(76.2)
– outflows	77.7	–	–	–	77.7
	529.9	2.4	1.9	4.3	538.5
Interest on financial commitments	10.6	3.6	–	–	14.2
Financial guarantees [1]	61.4	–	–	–	61.4
	601.9	6.0	1.9	4.3	614.1

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.

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 the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement 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 the income statement 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 the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item impacts the income statement (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 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 the income statement. When a forecast transaction is no longer expected to occur, the cumulative gains or losses that were deferred in equity are immediately transferred to the income statement.

GROUP STRUCTURE

NOTE 22 – BUSINESS ACQUISITIONS

There were no acquisitions made during the year ended 30 June 2016. During the year ended 30 June 2015, the Group acquired three businesses. On a combined basis, had the acquisitions all occurred on 1 July 2014, there would not have been a significant change to the Group's revenue and net profit nor was the contribution by the businesses acquired to the Group post-acquisition significant.

Details of the aggregate purchase consideration and cash outflow, assets and liabilities arising from the acquisitions and goodwill recognised from the acquisitions completed during the year ended 30 June 2015 are as follows:

	A$m
Property, plant and equipment (Note 10)	3.1
Identified intangible assets (Note 11)	1.8
Accounts payable	(1.0)
Deferred tax liability	(0.4)
Net identifiable assets acquired	3.5
Goodwill on acquisition (Note 11)	2.6
Total consideration	6.1
Deferred consideration	(0.4)
Net cash outflow	5.7

The goodwill is attributable to several factors including site locations, synergies existing in the operations acquired and the assembled workforce, which together contribute to the profitability of the acquired businesses. Some of the goodwill recognised is expected to be deductible for income tax purposes.

Recognition and measurement

The Group accounts for business combinations using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured at fair value. Any excess of the cost of acquisition over the fair values of the net identifiable assets acquired is recognised as goodwill. Transaction costs are expensed as incurred.

NOTE 23 – SUBSIDIARIES

Name of entity	Country of Incorporation	Equity holding % 2016	Equity holding % 2015
Sims Metal Management Limited	Australia		
Sims Group Australia Holdings Limited [1]	Australia	**100%**	100%
Sims Aluminium Pty Limited [1]	Australia	**100%**	100%
Sims E-Recycling Pty Limited	Australia	**90%**	90%
Simsmetal Holdings Pty Limited	Australia	**100%**	100%
Simsmetal Properties Qld Pty Limited	Australia	**100%**	100%
Sims Industrial Pty Limited	Australia	**100%**	100%
Simsmetal Services Pty Limited [1]	Australia	**100%**	100%
Simsmetal Properties NSW Pty Limited	Australia	**100%**	100%
Sims Group Holdings 3 Pty Limited	Australia	**100%**	100%
Universal Inspection and Testing Company Pty Limited	Australia	**100%**	100%
Sims Group Holdings 1 Pty Ltd	Australia	**100%**	100%
Sims Group Holdings 2 Pty Ltd	Australia	**100%**	100%
Electronic Product Stewardship Australasia Pty Limited	Australia	**90%**	90%
Sims Recycling Solutions Austrian Holding GmbH	Austria	**100%**	100%
Sims Recycling Solutions Austrian Intermediate Holdings GmbH	Austria	**100%**	100%
Sims metrade GmbH	Austria	**100%**	100%
Sims Recycling Solutions NV	Belgium	**100%**	100%
Sims Group Recycling Solutions Canada Ltd	Canada	**100%**	100%
Sims Group Canada Holdings Limited	Canada	**100%**	100%

Name of entity	Country of Incorporation	Equity holding % 2016	Equity holding % 2015
Sims Lifecycle Services s.r.o.	Czech Republic	**100%**	100%
Sims Recycling Solutions FZE	Dubai	**100%**	100%
Sims Group German Holdings GmbH	Germany	**100%**	100%
Sims M+R GmbH	Germany	**100%**	100%
Sims Lifecycle Services 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	Hong Kong	**100%**	100%
Sims Lifecycle Services Kft. [2]	Hungary	**0%**	100%
Trishyiraya Recycling India Private Limited	India	**100%**	100%
Sims Recycling Solutions India Private Limited	India	**100%**	100%
Sims Recycling Solutions Ireland Limited	Ireland	**100%**	100%
Mirec BV	Netherlands	**100%**	100%
Sims Recycling Solutions Coöperatief B.A.	Netherlands	**100%**	100%
Sims Lifecycle Services BV	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%
PNG Recycling Limited	Papua New Guinea	**100%**	100%
Gaukara Company No. 2 Limited	Papua New Guinea	**100%**	100%
Sims Lifecycle Service 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%
Sims Group UK Holdings Limited	UK	**100%**	100%
Sims Group UK Intermediate Holdings Limited	UK	**100%**	100%
Sims Group UK Limited	UK	**100%**	100%
C Herring & Son Limited	UK	**100%**	100%
All Metal Recovery Limited	UK	**100%**	100%
All Metal Recovery Cradley Heath Limited	UK	**100%**	100%
Sims Recycling Solutions UK Holdings Limited [2]	UK	**0%**	100%
Sims Recycling Solutions UK Group Limited [2]	UK	**0%**	100%
Sims Recycling Solutions UK Limited [2]	UK	**0%**	100%
United Castings Limited	UK	**100%**	100%
Sims Group UK Pension Trustees Limited	UK	**100%**	100%
Cooper Metal Recycling Ltd	UK	**100%**	100%
Dunn Brothers (1995) Limited	UK	**100%**	100%
Sims Metal Management U.K. Limited (formerly Cheque Swap Limited)	UK	**100%**	100%
Deane Wood Export Limited	UK	**100%**	100%
Sims Recycling Solutions Limited (formerly S3 Interactive Limited)	UK	**100%**	100%
Sims FE Mottram Limited	UK	**100%**	100%
Sims Recycling Solutions Inc.	US	**100%**	100%
Sims Recycling Solutions Holdings Inc.	US	**100%**	100%
Sims Metal Management USA GP	US	**100%**	100%
Sims Group USA Holdings Corporation	US	**100%**	100%
Dover Barge Company	US	**100%**	100%
Simsmetal East LLC	US	**100%**	100%
Sims Municipal Recycling of New York LLC	US	**100%**	100%

NOTE 23 – SUBSIDIARIES (CONTINUED)

Name of entity	Country of Incorporation	Equity holding % 2016	Equity holding % 2015
Schiabo Larovo Corporation	US	**100%**	100%
Simsmetal West LLC	US	**100%**	100%
Sims Group Global Trade Corporation	US	**100%**	100%
Sims Group USA Corporation	US	**100%**	100%
Metal Management, Inc.	US	**100%**	100%
Metal Dynamics Detroit LLC	US	**100%**	100%
SMM Gulf Coast LLC	US	**100%**	100%
Metal Management Midwest, Inc.	US	**100%**	100%
CIM Trucking, Inc.	US	**100%**	100%
Metal Management Indiana, Inc.	US	**100%**	100%
Metal Management Memphis, L.L.C.	US	**100%**	100%
Metal Management Ohio, Inc.	US	**100%**	100%
SMM – North America Trade Corporation	US	**100%**	100%
Metal Management Pittsburgh, Inc.	US	**100%**	100%
Proler Southwest Corporation	US	**100%**	100%
SMM South Corporation	US	**100%**	100%
Naporano Iron & Metal, Inc.	US	**100%**	100%
Metal Management Northeast, Inc.	US	**100%**	100%
SMM New England Corporation	US	**100%**	100%
New York Recycling Ventures, Inc.	US	**100%**	100%
Reserve Iron & Metal Limited Partnership [2]	US	**0%**	100%
Port Albany Ventures, LLC	US	**100%**	100%
SMM Southeast LLC	US	**100%**	100%

1 These subsidiaries and the Company are parties to a 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.

2 These subsidiaries were disposed of or deregistered 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 Class Order 98/1418 (as amended) issued by ASIC.

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

	2016 A$m	2015 A$m
(Loss)/profit before income tax [1]	**(115.0)**	102.6
Income tax expense	**(12.4)**	(44.2)
(Loss)/profit after tax	**(127.4)**	58.4

1 2016 amount includes an after tax non-cash impairment charge of A$225.6 million (2015: nil) against the parent entity's investment in subsidiaries which are not part of the Closed Group.

ii) Consolidated statement of comprehensive income

	2016 A$m	2015 A$m
(Loss)/profit after tax	**(127.4)**	58.4
Other comprehensive income:		
Items that may be reclassified to the income statement		
Changes in the fair value of derivatives held as cash flow hedges, net of tax	**0.7**	(1.0)
Share of other comprehensive income from associates	**–**	0.3
Items that will not be reclassified to the income statement		
Actuarial gain on defined benefit plans, net of tax	**0.8**	0.9
Other comprehensive income for the year, net of tax	**1.5**	0.2
Total comprehensive (loss)/income for the year	**(125.9)**	58.6

iii) Summary of movements in consolidated accumulated deficit

	2016 A$m	2015 A$m
Balance at 1 July	**(825.3)**	(831.4)
(Loss)/profit for the year	**(127.4)**	58.4
Actuarial gain on defined benefit plans, net of tax	**0.8**	0.9
Dividends provided for or paid	**(46.8)**	(53.2)
Balance at 30 June	**(998.7)**	(825.3)

iv) Consolidated statement of financial position

	2016 A$m	2015 A$m
Current assets		
Cash and cash equivalents	**39.7**	34.1
Trade and other receivables	**124.5**	144.7
Inventory	**75.6**	82.7
Other financial assets	**0.7**	0.4
Assets held for sale	**3.4**	1.8
Total current assets	**243.9**	263.7
Non-current assets		
Investments in associates and joint ventures	**40.1**	34.6
Other financial assets	**1,582.7**	1,652.3
Property, plant and equipment	**234.5**	211.4
Retirement benefit assets	**3.6**	2.9
Deferred tax assets	**22.9**	21.0
Intangible assets	**42.6**	43.5
Total non-current assets	**1,926.4**	1,965.7
Total assets	**2,170.3**	2,229.4

NOTE 23 – SUBSIDIARIES (CONTINUED)

	2016 A$m	2015 A$m
iv) Consolidated statement of financial position (continued)		
Current liabilities		
Trade and other payables	**230.9**	72.5
Borrowings	**0.5**	0.5
Other financial liabilities	**0.8**	1.5
Current tax liabilities	**1.5**	2.9
Provisions	**16.6**	15.7
Total current liabilities	**250.3**	93.1
Non-current liabilities		
Payables	**3.3**	3.0
Borrowings	**1.1**	1.6
Deferred tax liabilities	**27.4**	21.5
Provisions	**5.0**	3.4
Total non-current liabilities	**36.8**	29.5
Total liabilities	**287.1**	122.6
Net assets	**1,883.2**	2,106.8
Equity		
Contributed equity	**2,737.3**	2,797.4
Reserves	**144.6**	134.7
Accumulated deficit	**(998.7)**	(825.3)
Total equity	**1,883.2**	2,106.8

NOTE 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:

	2016 A$m	2015 A$m
Current assets	**18.5**	20.1
Non-current assets	**8.6**	7.5
Total assets	**27.1**	27.6
Current liabilities	**24.9**	23.3
Non-current liabilities	**0.1**	0.1
Total liabilities	**25.0**	23.4
Net assets	**2.1**	4.2

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.

Name	Principal Activity	Country of Incorporation	Ownership interest % 2016	Ownership interest % 2015
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
ITL Logistics GmbH	Recycling	Germany	**–**	34

Movements in carrying amounts of associates and joint ventures

	2016 A$m	2015 A$m
Balance at 1 July	**299.4**	314.9
Share of results	**5.5**	3.1
Accretion of deferred gain to equity accounted profit	**1.3**	2.8
(Impairment)/reversal of investment in associates and joint ventures	**(119.1)**	6.3
Disposal of an associate	**(0.1)**	(74.5)
Share of other comprehensive income of associates	**–**	0.4
Dividends received	**(7.0)**	(13.1)
Foreign exchange differences	**10.2**	59.5
Balance at 30 June	**190.2**	299.4

Summarised financial information of associates and joint ventures

	2016 A$m	2015 A$m
Statement of financial position		
Current assets	**103.1**	79.5
Non-current assets	**227.6**	306.9
Current liabilities	**42.1**	32.1
Non-current liabilities	**99.4**	62.5
Income statement		
Revenue	**523.2**	644.6
Share of net profit for the year	**5.5**	3.1
Balances and transactions with associates and joint ventures		
Sales of goods and services	**0.0**	39.7
Purchases of goods and services	**309.6**	401.0
Management and other fees and commissions	**1.6**	1.9
Interest income	**–**	4.1
Current receivables	**2.6**	1.6
Current payables	**6.8**	8.4

NOTE 24 – INTERESTS IN OTHER ENTITIES (CONTINUED)

Impairments

In the half year ended 31 December 2015, SA Recycling's operating results 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 of A$119.1 million in December 2015. The recoverable amount was based on a value-in-use calculation that was independently performed by a valuation firm. The impairment charge is reflected in the Group's North America Metals segment.

In June 2016, the Group reassessed the recoverable amount of its investment in SA Recycling. Based on the improvement in SA Recycling's operating results, no further impairment was identified. The significant assumptions used was a pre-tax discount rate of 12.7% and a growth rate of 2.0%. 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$4.9 million would have been recognised.

The Group's assessment of the recoverable amount of SA Recycling also took into account that SA Recycling's credit agreement expires in November 2016. Management of SA Recycling are currently in negotiations with their bank group to extend the credit agreement which they expect to have completed prior to November 2016.

Recognition and measurement

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

Investments in associates and 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.

NOTE 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.

Summary financial information

	2016 A$m	2015 A$m
Statement of financial position:		
Current assets	**24.7**	94.0
Total assets	**2,223.8**	2,518.0
Current liabilities	**5.2**	68.4
Total liabilities	**8.0**	70.9
Shareholders' equity:		
Contributed equity	**4,057.9**	4,118.0
Reserves	**146.0**	136.7
Profits reserve	**73.1**	5.6
Accumulated deficit	**(2,061.2)**	(1,813.2)
Total equity	**2,215.8**	2,447.1

	2016 A$m	2015 A$m
Statement of comprehensive income:		
(Loss)/profit for the year[1]	**(133.6)**	58.8
Total comprehensive loss	**(133.6)**	58.8

1 The parent entity's loss for 2016 included an after-tax non-cash impairment charge of A$225.6 million (2015: nil) 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 2016 was A$38.4 million (2015: A$57.1 million).

On 31 March 2011, the Company 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 2016 was A$9.3 million (2015: A$11.7 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

	2016 A$m	2015 A$m
Not later than one year	**2.7**	2.6
Later than one year, but not later than five years	**11.0**	10.5
Later than five years	**42.4**	43.8
Total lease commitments not recognised as liabilities	**56.1**	56.9

OTHER DISCLOSURES

NOTE 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

	2016 A$m	2015 A$m
Equity-settled share-based payments expense	**9.3**	13.4
Cash-settled share-based payments (income)/expense	**(0.4)**	1.2
	8.9	14.6

NOTE 26 – SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled options

Equity-settled options outstanding	Number of options 2016	Weighted average exercise price 2016	Number of options 2015	Weighted average exercise price 2015
Ordinary shares:				
Balance at 1 July	**3,562,923**	**A$12.45**	2,364,735	A$13.25
Granted	**2,349,633**	**A$9.38**	1,358,069	A$10.85
Forfeited/expired	**(438,521)**	**A$19.55**	(67,078)	A$12.09
Exercised	**(20,036)**	**A$9.60**	(92,803)	A$9.75
Balance at 30 June	**5,453,999**	**A$10.57**	3,562,923	A$12.45
Exercisable at 30 June	**1,884,736**	**A$12.01**	1,235,100	A$16.19
ADSs:				
Balance at 1 July	**5,473,384**	**US$14.18**	5,494,327	US$14.17
Forfeited/expired	**(830,837)**	**US$18.34**	(13,225)	US$9.49
Exercised	**–**	**–**	(7,718)	US$9.49
Balance at 30 June	**4,642,547**	**US$13.44**	5,473,384	US$14.18
Exercisable at 30 June	**4,642,547**	**US$13.44**	4,831,703	US$14.81

For equity-settled options exercised during the year ended 30 June 2016, the weighted average share price at the date of exercise was A$10.03 for ordinary shares and nil for ADSs (2015: A$12.39 for ordinary shares and US$10.96 for ADSs).

Information about outstanding and exercisable equity-settled options as at 30 June 2016 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	2,447,604	A$9.38	6.17	167,900	A$9.29	3.38
A$9.39–A$9.99	1,264,211	A$9.98	4.38	835,463	A$9.98	4.38
A$10.00–A$21.95	1,742,184	A$12.67	4.36	881,373	A$14.45	3.37
	5,453,999	**A$10.57**	**5.18**	**1,884,736**	**A$12.01**	**3.82**
ADSs:						
US$9.00–US$10.99	1,955,328	US$9.49	3.38	1,955,328	US$9.49	3.38
US$11.00–US$16.99	1,998,632	US$14.85	1.97	1,998,632	US$14.85	2.75
US$17.00–US$22.22	688,587	US$20.58	0.46	688,587	US$20.57	0.46
	4,642,547	**US$13.44**	**2.34**	**4,642,547**	**US$13.44**	**2.34**

Cash-settled options

Cash-settled options outstanding	Number of options 2016	Weighted average exercise price 2016	Number of options 2015	Weighted average exercise price 2015
Balance at 1 July	**1,321,718**	**A$11.95**	1,378,043	A$11.52
Granted	**–**	**–**	323,697	A$10.85
Exercised	**–**	**–**	(380,022)	A$10.85
Balance at 30 June	**1,321,718**	**A$11.95**	1,321,718	A$11.95
Exercisable at 30 June	**984,408**	**A$12.43**	585,599	A$14.14

For cash-settled options exercised during the year ended 30 June 2015, the weighted average share price at the date of exercise was A$12.44.

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.

Performance rights outstanding	Number of shares 2016	Weighted average fair value at grant date 2016	Number of shares 2015	Weighted average fair value at grant date 2015
Ordinary shares:				
Non-vested balance at 1 July	**2,698,180**	**A$7.32**	1,855,634	A$7.21
Granted	**1,270,849**	**A$4.50**	1,006,570	A$8.30
Forfeited/cancelled	**(179,348)**	**A$9.03**	(164,024)	A$13.37
Vested	**(74,601)**	**A$10.42**	–	–
Non-vested balance at 30 June	**3,715,080**	**A$6.19**	2,698,180	A$7.32
ADSs:				
Balance at 1 July	**2,403,760**	**US$6.25**	2,903,065	US$6.85
Forfeited/cancelled	**(1,149,874)**	**US$6.68**	(499,305)	US$10.90
Vested	**(448,563)**	**US$8.24**	–	–
Non-vested balance at 30 June	**805,323**	**US$4.74**	2,403,760	US$6.25

In the year ended 30 June 2016, 546,422 share rights (2015: 300,807) were forfeited as the performance conditions were not satisfied.

NOTE 26 – SHARE-BASED PAYMENTS (CONTINUED)

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 2016	Weighted average fair value at grant date 2016	Number of shares 2015	Weighted average fair value at grant date 2015
Ordinary shares:				
Non-vested balance at 1 July	**589,649**	**A$9.87**	371,175	A$9.72
Granted	**411,677**	**A$6.95**	290,641	A$10.10
Forfeited/cancelled	**(51,841)**	**A$8.73**	(8,222)	A$9.61
Vested	**(130,152)**	**A$9.62**	(63,945)	A$10.07
Non-vested balance at 30 June	**819,333**	**A$8.59**	589,649	A$9.87
ADSs:				
Balance at 1 July	**92,186**	**US$8.34**	195,352	US$8.87
Forfeited/cancelled	**–**	**–**	(4,067)	US$8.59
Vested	**(92,186)**	**US$8.34**	(99,099)	US$9.38
Non-vested balance at 30 June	**–**	**–**	92,186	US$8.34

Fair value

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

	Options		Performance rights	
	2016	2015	2016	2015
Risk-free interest rate	**2.6%**	3.0%	**2.1%**	2.6%
Dividend yield	**3.0%**	3.0%	**3.0%**	3.0%
Volatility	**33.0%**	31.0%	**33.0%**	31.0%
Expected life (years)	**5.2**	4.5	**n/a**	n/a
Share price at grant date	**A$7.00**	A$10.98	**A$7.00**	A$10.98

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 the income statement 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 the income statement.

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.

NOTE 27 – KEY MANAGEMENT PERSONNEL

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

	2016 A$	2015 A$
Short-term benefits	**8,516,755**	10,610,390
Long-term benefits	**36,992**	428,228
Post-employment benefits	**340,964**	338,740
Termination benefits	**–**	778,568
Share-based payments	**3,431,800**	4,281,298
	12,326,511	16,437,224

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. As a result, his respective director remuneration is paid directly to Mitsui & Co. During the year ended 30 June 2016, the Group paid A$219,424 to Mitsui & Co. for director remuneration (2015: A$213,424).

NOTE 28 – COMMITMENTS AND CONTINGENCIES

Commitments

	2016 A$m	2015 A$m
Operating leases		
Not later than one year	**80.8**	88.6
Later than one year, but not later than five years	**177.5**	181.8
Later than five years	**128.1**	143.4
Total	**386.4**	413.8
Capital expenditures		
Payable within one year	**41.8**	16.0

The commitments included above also include the Group's share relating to associates and 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 2016 was A$42.2 million (2015: A$61.4 million).

NOTE 29 – REMUNERATION OF AUDITORS

	2016 A$'000	2015 A$'000
Deloitte Touche Tohmatsu Australia:		
Audit and review of financial statements	**1,583**	1,580
Taxation services	**48**	–
Other	**104**	–
	1,735	1,580
Network firms of Deloitte Touche Tohmatsu Australia:		
Audit and review of financial statements	**1,988**	1,821
Taxation services	**451**	444
Other	**200**	90
	2,639	2,355
Total remuneration for Deloitte Touche Tohmatsu	**4,374**	3,935

NOTE 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. The Group has not yet assessed the impact of AASB 9. 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. The Group has not yet assessed how its revenue recognition policy will be impacted by the new rules. AASB 15 is effective for the Group on 1 July 2018.

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 Group has not yet performed a detailed assessment of this standard. However, this standard is expected to be material to the Group. Until the Group undertakes a detailed review, it is not practicable to provide a reasonable estimate of the effect of this standard. AASB 16 is effective for the Group on 1 July 2019.

NOTE 31 – ASSETS HELD FOR SALE & SUBSEQUENT EVENTS

Assets held for sale at 30 June 2016 include businesses and excess property which the Group expects to sell within the next financial year. As of the date of this report, the Group has sold assets with a net book value of approximately A$13 million for proceeds of approximately A$38 million. The Group will recognise a gain on sale of approximately A$25 million from the sale of these assets.

DIRECTORS' DECLARATION

In the directors' opinion:

a) The financial statements and notes set out on pages 64 to 106 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 2016 and of its performance for the financial year ended on that date, and

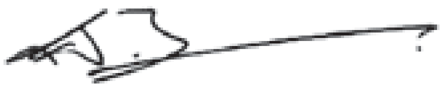
b) there are reasonable grounds to believe that Sims Metal Management Limited will be able to pay its debts as and when they become due and payable, and

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.

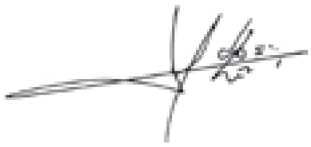
Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Group Chief Executive Officer and the 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
Chairperson
Sydney
25 August 2016



G Claro
Managing Director and Group CEO
Sydney
25 August 2016

INDEPENDENT AUDITOR'S REPORT | TO THE MEMBERS OF SIMS METAL MANAGEMENT LIMITED

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

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REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Sims Metal Management Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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 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 year's end or from time to time during the financial year as set out on pages 64 to 107.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, 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 Metal Management Limited would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

a) the financial report of Sims Metal Management Limited is in accordance with the *Corporations Act 2001*, including:
   i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
   ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 35 to 62 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion the Remuneration Report of Sims Metal Management Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Don Pasquariello

Don Pasquariello
Partner
Chartered Accountants
Sydney
25 August 2016

AUDITOR'S INDEPENDENCE DECLARATION

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 2016, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Don Pasquariello

Don Pasquariello
Partner
Chartered Accountants
Sydney
25 August 2016

SHAREHOLDER INFORMATION | AS AT 5 SEPTEMBER 2016

EQUITY SECURITIES

Substantial Shareholders

	Number held	%
Mitsui Raw Materials Developments Pty Limited	36,151,787	18.2
Perpetual Limited	19,182,475	9.7
Paradice Investment Management Pty Ltd	13,271,991	6.7
FIL Limited	12,457,894	6.3
Allan Gray Australia Pty Ltd	12,248,566	6.2
UBS Group AG	11,630,284	5.9
Cooper Investors Pty Limited	10,301,426	5.2
Dimensional Entities	10,296,187	5.2

ORDINARY SHARES

Distribution of ordinary share holdings

Range	Holders
1–1,000	6,420
1,001–5,000	4,946
5,001–10,000	680
10,001–100,000	291
100,001 and over	29
Total	**12,366**

There were 817 holders of less than a marketable parcel of shares.

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

PERFORMANCE RIGHTS/RESTRICTED SHARE UNITS

Distribution of performance rights/restricted share units holdings

Range	Holders
1–1,000	15
1,001–5,000	43
5,001–10,000	26
10,001–100,000	51
100,001 and over	5
Total	**140**

A total of 3,227,164 performance rights and restricted share units to take up ordinary shares are issued under the Sims Metal Management Limited Long Term Incentive Plan and individual contracts, held by 140 holders.

The performance rights and restricted share units do not have any voting rights.

OPTIONS

Distribution of options holdings

Range	Holders
1–1,000	9
1,001–5,000	36
5,001–10,000	36
10,001–100,000	110
100,001 and over	20
Total	**211**

A total of 10,096,546 options to take up ordinary shares or American Depositary Shares are issued under the Sims Metal Management Limited Long Term Incentive Plan, held by 211 holders.

The options do not have any voting rights.

ON-MARKET BUY-BACK

The Company has a current on-market buy-back.

TWENTY LARGEST SHAREHOLDERS

			No. of shares	% held
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	Locked Bag 20049, Melbourne, VIC, Australia, 3001	39,374,534	19.83
2	MITSUI RAW MATERIALS DEVELOPMENT PTY LIMITED	Level 15 120 Collins Street, Melbourne, VIC, Australia, 3000	36,151,787	18.21
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	GPO Box 5302, Sydney, NSW, Australia, 2001	35,061,905	17.66
4	NATIONAL NOMINEES LIMITED	GPO Box 1406, Melbourne, VIC, Australia, 3001	22,738,857	11.45
5	CITICORP NOMINEES PTY LIMITED	GPO Box 764G, Melbourne, VIC, Australia, 3001	16,444,925	8.28
6	BNP PARIBAS NOMS PTY LTD <DRP>	PO Box R209, Royal Exchange, NSW, Australia, 1225	6,215,559	3.13
7	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	GPO Box 5430, Sydney, NSW, Australia, 2001	3,617,421	1.82
8	UBS NOMINEES PTY LTD	Level 16 Chifley Tower 2 Chifley Square, Sydney, NSW, Australia, 2000	1,759,170	0.89
9	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	PO Box R209, Royal Exchange, NSW, Australia, 1225	1,581,563	0.80
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	GPO Box 5302, Sydney, NSW, Australia, 2001	1,576,554	0.79
11	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	GPO Box 764G, Melbourne, VIC, Australia, 3001	1,371,053	0.69
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	GPO Box 5302, Sydney, NSW, Australia, 2001	1,209,020	0.61
13	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	GPO Box 5430, Sydney, NSW, Australia, 2001	1,149,223	0.58
14	UBS NOMINEES PTY LTD	Level 16 Chifley Tower 2 Chifley Square, Sydney, NSW, Australia, 2000	821,761	0.41
15	MILTON CORPORATION LIMITED	PO Box R1836, Royal Exchange, NSW, Australia, 1225	692,368	0.35
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	GPO Box 5302, Sydney, NSW, Australia, 2001	441,884	0.22
17	ARGO INVESTMENTS LIMITED	GPO Box 2692, Adelaide, SA, Australia, 5001	415,772	0.21
18	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL >	PO Box R209, Royal Exchange, NSW, Australia, 1225	363,000	0.18
19	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	PO Box 4151, Sydney, NSW, Australia, 2000	252,813	0.13
20	ELIANAELYSIA PTY LTD <ANGUS INVESTMENT A/C>	Pitcher Partners GPO Box 1615, Sydney, NSW, Australia, 2001	249,610	0.13
			171,488,779	**86.38**

FIVE-YEAR TREND SUMMARY

		2016	2015	2014 Restated	2013	2012
Continuing operations [1]						
Revenue [1]	A$m	**4,663.9**	6,328.1	7,036.4	7,203.1	9,042.3
Profit/(loss) before interest and tax [1]	A$m	**(215.5)**	144.8	76.9	(470.4)	(624.0)
Net finance costs [1]	A$m	**(9.7)**	(7.8)	(14.2)	(18.2)	(21.3)
Tax (expense)/benefit [1]	A$m	**8.7**	(27.2)	(46.4)	21.3	22.3
Profit/(loss) from continuing operations [1]	A$m	**(216.5)**	109.8	16.3	(467.3)	(623.0)
Profit/(loss) from discontinued operations [1]	A$m	**–**	0.1	(105.2)	–	–
Profit/(loss) for the year		**(216.5)**	109.9	(88.9)	(467.3)	(623.0)
Net Cash Flows from Operations	A$m	**131.3**	298.1	210.1	297.3	289.6
Earnings/(loss) per share – diluted	A¢	**(106.8)**	53.3	(43.5)	(228.6)	(302.7)
Dividends per Share	A¢	**22.0**	29.0	10.0	0.0	20.0
Return on Shareholders' Equity	%	**–11.8**	5.2	–4.8	–24.2	–27.3
Current Ratio (to 1)		**2.05**	1.99	1.63	1.71	1.95
Gearing Ratio	%	**n/a**	n/a	n/a	7.4	11.3
Net Tangible Asset Backing per Share	A$	**8.41**	9.19	7.91	8.15	8.35

1 In 2015, E-Recycling operations in Canada and the UK were closed and are presented within discontinued operations in 2015 and 2014. Results for these operations prior to 2014 are included within continuing operations.

CORPORATE DIRECTORY

SECURITIES EXCHANGE LISTING

The Company's ordinary shares are quoted on the Australian Securities Exchange under the ASX Code 'SGM'.

The Company's American Depositary Shares (ADSs) are quoted on the Over-the-Counter market under the symbol 'SMSMY'. The Company has a Level I ADS program, and the depositary bank is The Bank of New York Mellon Corporation. ADSs trade under CUSIP number 829160100 with each ADS representing one (1) ordinary share. Further information and investor enquiries on ADSs may be directed to:

The Bank of New York Mellon
Transfer Agency
Postal Address
By Regular Mail:
P.O. Box 30170
College Station, TX 77842 United States
By Overnight Delivery:
211 Quality Circle,
Suite 210 College Station, TX 77845 United States

Telephone
Toll Free: 888 269 2377
Toll: +1 (201) 680 6825

Email: shrrelations@cpushareownerservices.com

Website: www.bnymellon.com/shareowner

REGISTERED OFFICE

Sir Joseph Banks Corporate Park
Suite 3, Level 2
32–34 Lord Street Botany NSW 2019
Telephone: (02) 8113 1600

HEAD OFFICE

16 West 22nd Street, 10th Floor
New York, NY 10010
United States
Telephone: +1 (212) 604-0710

SHAREHOLDER ENQUIRIES

Enquiries from investors regarding their share holdings should be directed to:

Link Market Services Limited
Street Address
Level 12
680 George Street
Sydney NSW 2000

Postal Address
Locked Bag A14
Sydney South NSW 1235 Australia

Telephone: 1300 554 474
Outside Australia: +61 1300 554 474
Facsimile: +61 2 9287 0303

Website: www.linkmarketservices.com.au

COMPANY SECRETARIES

Frank Moratti
Scott Miller

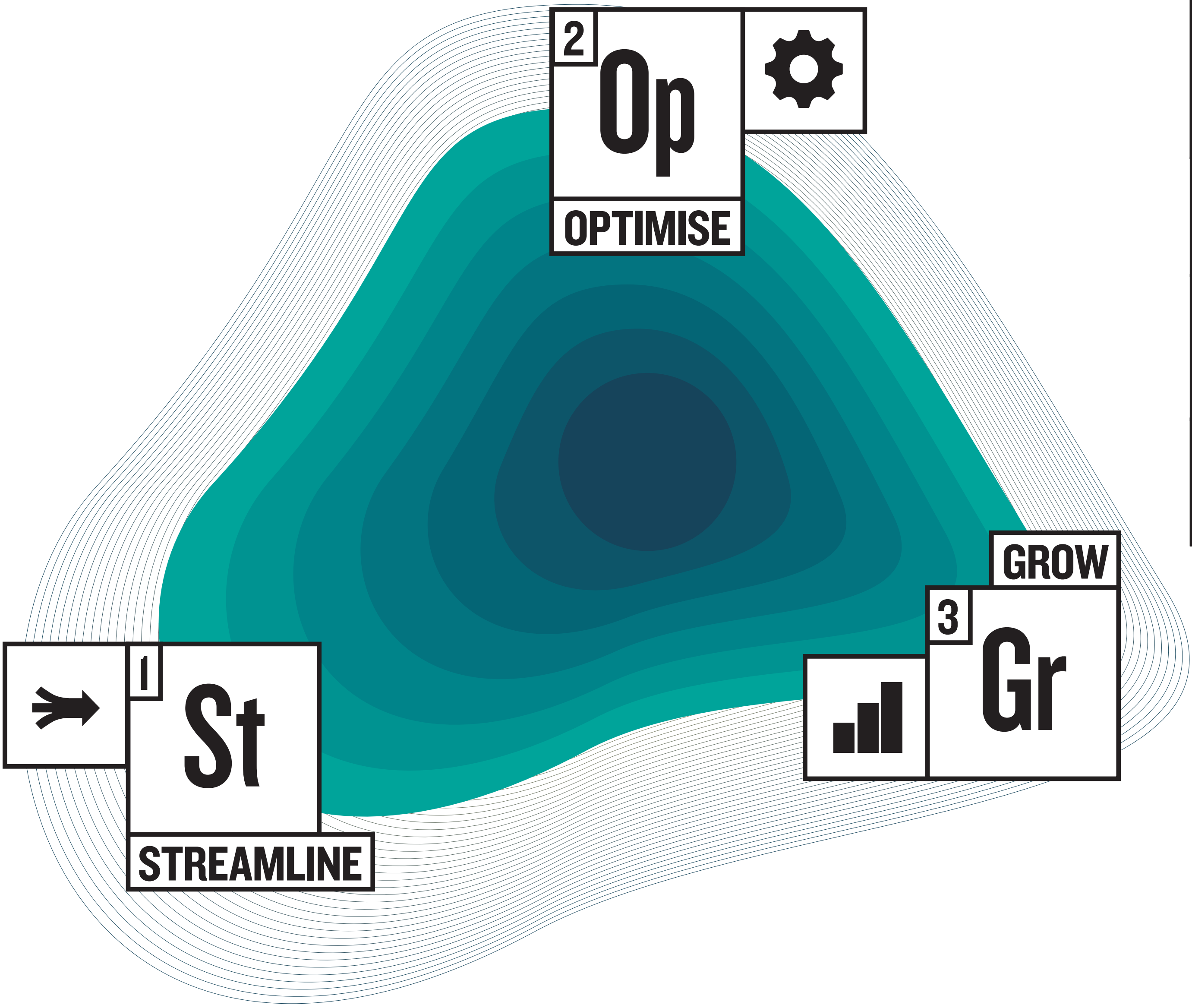
For more up-to-the-minute investor relations, visit www.simsmm.com

AUDITOR

Deloitte Touche Tohmatsu
225 George Street
Sydney NSW 2000

Telephone: +61 (2) 9322 7000

Website: www.deloitte.com.au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Op
OPTIMISE
1
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STREAMLINE
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