| | As of and for the fiscal years ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| | (in A$ millions, except per share data) | | | | |
| **Statement of financial position data:** | | | | | |
| Total assets | 2,916.8 | 3,509.0 | 4,167.4 | 4,232.5 | 3,808.6 |
| Borrowings | 200.7 | 343.6 | 291.7 | 117.2 | 175.1 |
| Total liabilities | 988.0 | 1,225.3 | 1,255.9 | 958.9 | 949.6 |
| Total equity | 1,928.8 | 2,283.7 | 2,911.5 | 3,273.6 | 2,859.0 |

***Exchange Rate Data***

The following tables sets forth, for the periods and dates indicated, certain information regarding the rates of exchange between the US dollar and the Australian dollar. The information is expressed in US dollars per Australian dollar and is based on noon buying rates in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York. The average rate for a fiscal year means the average of the exchange rates on the last day of each month during that fiscal year. The noon buying rate on October 4, 2013 was US$0.9443 = A$1.00.

| | Average Rate |
|---|---|
| **For the fiscal year ended June 30:** | |
| 2013 | 1.0222 |
| 2012 | 1.0388 |
| 2011 | 0.9997 |
| 2010 | 0.8837 |
| 2009 | 0.7423 |

| | Highest Rate | Lowest Rate |
|---|---|---|
| **For the month ended:** | | |
| September 2013 | 0.9444 | 0.9055 |
| August 2013 | 0.9193 | 0.8901 |
| July 2013 | 0.9259 | 0.8957 |
| June 2013 | 0.9770 | 0.9165 |
| May 2013 | 1.0313 | 0.9608 |
| April 2013 | 1.0564 | 1.0255 |

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

Set forth below are risks that we believe are material to our business operations. Additional risks and uncertainties that are presently unknown or deemed to be immaterial may also adversely affect our business operations. If any of the following risks occur, our business operations may be materially adversely affected.

**Risks Related to the Global Economy and Our Industry**

***Weak global economic conditions in the aftermath of the global financial crisis have had, and may continue to have, an adverse impact on our results of operations and financial condition.***

Our operations and performance depend significantly on global economic conditions and particularly economic conditions in the US where our assets are predominantly located. Economic conditions in the US can be characterized as demonstrating frustratingly slow growth. We believe this condition can be associated most directly with poor labor market conditions and weak business and consumer confidence. The global financial markets also have experienced increased volatility due to uncertainty surrounding the level and sustainability of the sovereign debt of various countries and continued anxiety about financial institutions. In addition, some observers have expressed concern regarding the sustainability of the European Monetary Union and its currency, the Euro, in their current form. These conditions and other disruptions to international credit markets and financial systems have caused a loss of investor confidence and resulted in widening credit spreads, increased credit losses and tighter credit conditions. Further, despite aggressive measures taken by certain governments and central banks, economic recovery has been slow. A significant risk remains that these measures may not prevent the global economy from falling back into a recession. There is also concern that higher interest rates associated with an expectation that there may be less financial accommodation from Reserve Banks could also threaten the potential for economic recovery.

The instability of the credit markets and weakness of the global economy could continue to adversely affect generation of scrap metal, the demand for our customers' products, the amount, timing and stability of their orders from us, the financial strength of our customers and suppliers, their ability or willingness to do business with us, our willingness to do business with them, our suppliers' and customers' ability to fulfill their obligations to us and the ability of our customers, our suppliers and us to obtain credit. These factors have manifested themselves in our results through lower scrap purchases, lower sales and tighter margins. Our ability to absorb fixed costs has been negatively impacted by these conditions. These factors have adversely affected, and could continue to affect, our results of operations and financial condition.

***Changes in economic and political policies of the government of China could reduce overall economic growth in China, which could have a material adverse effect on our results of operations and financial condition.***

China has become the largest consumer of commodities in the world and represents an important market for our products. Accordingly, our results of operations and financial condition depend to a significant degree on economic developments in China. China's economy differs from the economies of most other countries in many respects, including with respect to the amount of government involvement in the economy, the general level of economic development, growth rates and government control of foreign exchange and the allocation of resources. Any future actions and policies adopted by the Chinese government could materially affect the Chinese economy and slow the growth of the demand for commodities in China, which could materially and adversely affect our business. As an example, in February 2013, China announced a new initiative called "Operation Green Fence" which is an effort by China to stem the flow of contaminants it allows in imported recyclable shipments. Under this initiative, all shipments of recycled materials are required to have contaminants under 1.5%. This initiative is due to expire in November 2013, however if China extends this initiative or replaces it with another similar initiative, it could have an impact on our ability to market our products in China which could impact our results of operations and financial condition.

China is the largest consumer in the world market for steel making raw materials and is the world's largest producer of steel. China is currently one of the largest importers of scrap metals, particularly non-ferrous metals. However, as the economy in China continues to grow and expand, China ultimately could become a net exporter of scrap metals, which may impact future demand for our products from China. There can be no assurance that reduced demand from China could be offset by new demand from other markets. There also may be an adverse impact on demand for our products in China if China's economy were to slow more markedly as a consequence of financial tightening, a banking crisis, social unrest, or other circumstances. There are recent economic indications, including commentary from the Chinese government that the rate of economic growth in China has begun to slow.

***The metal recycling industry historically has been, and is expected to remain, highly cyclical and highly competitive and, in the past, has been subject to significant fluctuations in scrap metal prices as well as rapid changes in supply and demand, which could have a material adverse effect on our results of operations and financial condition.***

Scrap metal prices and scrap intake are volatile and the operating results of the metal recycling industry, in general, have historically been cyclical, and are expected to remain highly cyclical, and our operations, specifically, are expected to be highly cyclical in nature. As a consequence of the lingering effect of the global financial crisis on our business, we have continued to encounter significant volatility in scrap metal pricing and demand. Our industry conditions in our largest market, North America, remain challenging.

Scrap metal prices are sensitive to trends in cyclical industries, such as the automotive and construction industries. In the past, substantial price decreases during periods of economic weakness have not always been offset by commensurate price increases during periods of economic strength. Recovery of inbound volumes likely will depend on a broad recovery from the current weak global economic conditions, although the length and nature of business cycles affecting the scrap metal industry historically have been unpredictable. We believe that constrained consumer spending in durable items such as automobiles and white goods has contributed greatly to reduced intake. Tight supplies of raw materials and increased competition have compressed our margins, particularly in North America and the United Kingdom, or the UK. Additionally, if we were to experience a protracted downturn in scrap metal prices, this would adversely affect our results of operations and financial condition, including possible losses arising from write-downs of inventories and long-lived assets such as property, plant and equipment, investments and intangible assets.

***Fluctuations in commodity prices could have a material adverse effect on our results of operations and financial condition and our inventory positions could be exposed to falling markets.***

We are exposed to commodity price risk during periods in which we have title to products that are held in inventory for processing or resale. Prices of commodities, including recycled metals, can be volatile due to numerous factors beyond our control. In an increasing price environment for the purchase of raw materials, competitive conditions may limit our ability to pass on price increases to our consumers. In a decreasing price environment for sales of processed recycled metal, we may not have the ability to fully recoup the cost of raw materials that we procure, process and sell to our customers. New entrants into our markets have resulted in higher purchase prices for raw materials and lower margins from our recycled metal. We are unable to hedge positions in certain commodities, such as recycled ferrous metal. While certain hedging products for ferrous materials have recently been introduced to the market, they are unsuitable for our needs because of limited trading in these contracts. We will continue to monitor the development of these products as we pursue strategies to minimize risk and exposure on our ferrous products. Thus, our sales and inventory position will be vulnerable to adverse changes in commodity prices, which could adversely impact our operating and financial performance. We operate a global trading business that is involved in the purchase and sale of ferrous steel making raw materials without a corresponding sale or purchase. At any time, our global trading business may have a material number of "open" or "at risk" trading positions. To the extent that markets move in an adverse direction and we have not covered our position, this will have an adverse impact on our results of operations and financial condition.

Similarly, with our scrap metal inventory positions, we may have significant unsold positions during periods of falling prices that could adversely impact our results of operations and financial condition. Additionally, our electronics recycling business owns significant inventories at its smelter customers awaiting assay results for extended periods of time during which prices could decline. We mitigate this risk somewhat by entering into forward commodity hedges.

***Developments in the steel industry could have a material adverse effect on our results of operations and financial condition.***

The scrap metal industry, and our business specifically, may also be adversely affected by increases in steel imports into the US, or our other significant market regions, such as Australia and the UK, which may have an adverse impact on steel production in such market regions and a corresponding adverse impact on the demand for recycled metal from some of our facilities within such market regions. Additionally, the scrap metal industry, and our business specifically, could be negatively affected by changes in tariffs, or increased freight costs which could negatively impact export sales or attract imports of recycled metal or metal substitutes, which could, in turn, reduce demand for our recycled metal. In recent years, certain steel manufacturers have vertically integrated into the scrap metal recycling industry. This has reduced domestic demand for scrap metal in our markets and has increased our focus and reliance on export markets.

***Volatility and disruption of credit and equity markets may impede or prevent our ability to access the capital markets in the future and/or obtain capital on favorable terms.***

In recent years, the credit and equity markets of both mature and developing economies experienced extraordinary volatility, asset erosion and uncertainty. While those conditions did not impair our ability to access credit and equity markets to finance our operations and fund our expansion, there can be no assurance that there will not be another deterioration in the capital markets that could restrict our access to such markets. If conditions in the credit and equity markets deteriorate, we may not always be able to access the capital markets when required, or to access them on acceptable terms, to obtain funding needed for expansion or operation of our business in furtherance of our strategic plan. In addition, changes in the capital or other legal requirements applicable to commercial lenders may affect the availability or increase the cost of borrowing under our credit facilities. If we are unable to obtain needed capital in a manner and on terms acceptable to us, that condition may limit our growth initiatives or require us to take other actions that could adversely affect our business, results of operations and financial condition.

***A significant increase in the use of substitute materials by consumers of processed recycled ferrous metal could reduce demand for our products.***

During periods of high demand, tightness can develop in the available supply of recycled ferrous metal. During such periods, the relative scarcity of recycled ferrous metal, particularly prime or industrial grades, provides opportunities for producers of substitute products, such as pig iron and direct reduced iron pellets, to gain market share. It cannot be assured that the use of substitutes to recycled ferrous metal will not proliferate in the future if the prices for recycled metal rise or if the supply of available unprepared ferrous metal tightens. A number of third parties around the world are developing technologies to produce recycled ferrous metal substitutes. A recent example of this relates to the development of a direct reduced iron facility in Louisiana by Nucor Corporation. If these efforts are successful, they could diminish demand for higher grades of ferrous scrap and adversely impact ferrous scrap pricing. Development of scrap substitutes could adversely affect our results of operations and financial condition.

***The profitability of our metal recycling operations depends, in part, on the availability of an adequate source of supply and scrap flows, which have been adversely impacted by weak economic conditions in the US, the UK and elsewhere.***

We procure our recyclable metal inventory from numerous sources. These suppliers generally are not bound by long-term contracts and have no obligation to sell recyclable metal to us. In periods of low industry prices, suppliers may elect to hold recyclable metal to wait for higher prices or intentionally slow their metal collection activities. If a substantial number of suppliers cease selling recyclable metal to us, we will be unable to recycle metal at desired levels and our results of operations and financial condition could be materially adversely affected. In addition, as a result of weak global economic conditions, a slowdown of industrial production and weak consumer spending in the US, the UK and certain other countries has occurred, which has reduced the supply of industrial and post-consumer grades of scrap metal, resulting in us having less recyclable metal available to process and market. During periods of weak scrap generation, our competition generally pursues a higher share of the market by sacrificing margin for volumes, which can materially impact our results of operations and financial condition.

***We are dependent on technology in our business and face risks associated with implementing technology into our business, which may prove to be unsuccessful.***

Technology is increasingly important in our industry. While we have made significant investments into proprietary systems, our competitors are developing different approaches to similar technologies. The technology we have most recently implemented relates to downstream systems intended to increase the recovery of non-ferrous metals generally and copper wire in particular from our shredding systems as well as increased recovery of plastics and glass from electronics processing. Competitors may develop better technologies which could have a material adverse effect on our results of operations and financial condition.

The new technology we implemented to recover plastics and glass from electronics recycling has proven to be unsuccessful to date. In fiscal 2013, we recorded an impairment to our fixed assets associated with our plastics plant in the UK. We may be required to record further impairments to our fixed assets associated with our proprietary systems in the future if these technologies prove to be unsuccessful, which could have a material adverse effect on our results of operations and financial condition. Additionally, returns generated from our shredder downstream investments have been less than our expectations, some of which we relate to weak scrap generation and changes in the mix of our intake.

***Our operations are subject to risks and uncertainties relating to international conflicts and terrorism.***

Due to the extensive diversification of our international operations and significant presence on ports, we are subject to a higher level of risk than some other companies relating to international conflicts, wars, internal civil unrest, trade embargoes and acts of terrorism. Our international operations include sales in developing countries, which may be more likely than developed countries to be affected by international conflicts and terrorism. Risks of this type may affect facilities owned or operated by us or facilities of our suppliers or customers. In addition, risks of this type may affect port facilities or other transportation infrastructure owned or used by us in the operation of our business. During international conflicts, there could be severe limitations imposed on intercontinental shipments of materials, which could have a material adverse effect on our results of operations and financial condition.

***Severe weather, natural disasters and climate conditions could have a material adverse effect on our overall business.***

Our facilities are located in places that could be affected by natural disasters, such as floods, earthquakes, hurricanes, tornados and other natural disasters. If natural disasters were to directly damage or destroy our facilities, they could disrupt our operations, delay shipments of existing inventory or result in costly repairs, replacements or other costs, all of which would negatively impact our business. This risk is somewhat mitigated by the geographical diversification of our operations. In fiscal 2011, our operations in Queensland, Australia were impacted by severe flooding, certain of our operations in New Zealand were impacted by earthquakes, and certain of our operations in North America were impacted by flooding around the Mississippi River. In fiscal 2013, our operations in the Northeast US were significantly impacted by Superstorm Sandy.

**Risks Related to Regulation**

***Our operations are subject to extensive governmental regulation in each of the jurisdictions in which we operate.***

In each of the jurisdictions in which we operate, we are subject to a variety of laws and regulations relating to trade, competition, taxes, employees and employee benefits, worker health and safety, land use, the environment, metal theft, transportation activities, international trade, and other matters. We may be required to make significant expenditures and to devote substantial management time and attention in order to operate our business in compliance with such laws and regulations. In addition, changes in these laws or regulations or their interpretations or enforcement may require us to make significant additional expenditures or to change our business practices. For example, as a result of changes to the Australian Corporations Act 2001, or Corporations Act, which came into effect on July 1, 2011, shareholders have the opportunity to vote on the remuneration report in our home annual report. While this vote is advisory only and non-binding, a vote against the remuneration report by at least 25% of the shareholders at successive annual general meetings would result in a further resolution being put to shareholders at the second of those annual general meetings that a further meeting be held at which the entire existing Board (other than the managing director) be subject to reelection. Any change to our Board may cause disruption to the operation of our business or cause investor concern.

If we fail to comply with applicable laws and regulations, we could incur criminal or civil fines, penalties, assessments or other damages which could be substantial and could have material restrictions or limitations placed on our business operations. In certain cases, such failure to comply also may give rise to potential claims for damages by private parties.

***Our operations are subject to stringent environmental laws, regulations and permit and license requirements.***

In all jurisdictions in which we operate, we are subject to comprehensive statutory and regulatory environmental requirements at all levels of government relating to, among others:

- the storage, treatment, handling and disposal of solid and hazardous waste and other hazardous materials;
- emissions of dust, noise, odor and water;
- protection of ecosystems;
- the management, treatment and discharge of wastewater and storm water;
- the prevention and remediation of impacts to soil, surface water and groundwater; and
- the protection of employee health and safety.

The nature of our business, and previous operations by others at facilities currently or formerly owned or operated or otherwise used by us, exposes us to risks of claims under environmental laws and regulations, especially for the remediation of soil or groundwater impacts. From time to time, we may be required to make material expenditures for remedial activities or capital improvements with regard to sites currently or formerly owned or operated or otherwise used by us.

Environmental statutes and regulations have changed rapidly in recent years by requiring greater and more expensive protective measures. Thus, it is possible that we will be subject to even more stringent environmental standards in the future. For example, in many jurisdictions in which we operate, there is actual or potential regulation and or legislation relating to the removal of mercury-containing devices, e.g., mercury switches from automobile hulks that are purchased and processed by us. Legislation or regulations that may be enacted in the future cannot be presently known and neither can the effects, if any, that any such law or regulation could have on our business. For these reasons and others, the future capital expenditures that we may have to make for pollution control equipment, remediation or other initiatives cannot be accurately predicted. However, it is generally expected that environmental standards will become increasingly more stringent over time and the expenditures necessary to comply with those heightened standards will correspondingly increase.

Because companies in the metal recycling industry have the potential for discharging wastes or other regulated materials into the environment, in any given year, a significant portion of our capital expenditures could be related, directly or indirectly, to pollution control or environmental remediation.

In addition, some products we sell, or have sold in the past, are subject to electronics recycling legislation in certain jurisdictions or other legislation regulating certain aspects of the materials used in and the manufacturing or design of the product. Many jurisdictions also are considering similar legislation that may impact products we sell or have sold. These laws could have a material adverse impact on our results of operations and financial condition.

We are required to maintain, and to comply with, various permits and licenses to conduct our operations. Failure to maintain, or violations of, any permit or license, if not remedied, could result in us incurring substantial fines, suspension of operations or closure of a site. Further, our metal recycling operations are conducted primarily outdoors and, as such, depending on the nature of the ground cover, such outdoor operations will involve the risk of releases of wastes and other regulated materials to the soil and possibly to surface water or groundwater. As part of our continuous improvement programs, we expect to incur costs to improve environmental control systems. Additionally, there are requirements to possess permits and licenses that are necessary to sell and ship scrap metal into certain markets and if we were unable to renew such licenses or permits, our ability to market scrap metals in certain jurisdictions could be impacted and negatively affect our results of operations and financial condition.

***Our operations are subject to stringent laws, regulations and permit and license requirements related to the purchase of scrap materials.***

We are subject to comprehensive statutory and regulatory requirements at several levels of government relating to, among others, the purchase of scrap materials and protections that such materials were not previously stolen when purchased.

The nature of our business exposes us to risks of claims that we had purchased stolen materials or did not follow proper legal requirements to protect against such purchase.

We are required to maintain and comply with various permits and licenses to conduct our operations with respect to the purchase of scrap materials. Failure to maintain, or violations of, any permit or license, if not remedied, could result in us incurring substantial fines, suspension of operations or closure of a site.

In August 2013, one subsidiary of our North America metal recycling operations agreed to make a civil payment of US$2.7 million and a reimbursement of US$1.4 million for investigation costs to resolve a civil case brought by San Francisco and Contra Costa Counties, which acted on behalf of the State of California in order to resolve a dispute related to alleged breaches of record-keeping requirements in California legislation enacted in 2008 to reduce the risk of purchasing stolen metal as scrap metal, which resolved the matter for all eight of the West Region’s California operations. In resolving this dispute we did not admit to any liability.

***Regulation of greenhouse gas emissions and climate change issues may adversely affect our operations and markets.***

A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to the potential impacts of climate change. In July 2012, the Australian government introduced a carbon tax at A$23 per tonne, rising 2.5% annually plus inflation, after which it will transition to a cap-and-trade scheme with permits bought on the free market, but subject to a floor and ceiling price. While our Australian operations currently are not subject to the carbon tax, they have been impacted by higher prices for energy as the cost of the carbon tax generally is passed on by our energy suppliers. In addition, if we were to become subject to the carbon tax in Australia, we would incur additional capital and operating costs to comply with such legislation including the acquisition of emissions allowances to continue operating. In September 2013, a new prime minister was elected in Australia who ran on a platform to repeal the carbon tax. However, until the carbon tax is repealed or replaced by the Australian government, our Australian operations will be impacted by higher energy costs.

In April 2010, the UK government introduced the CRC Energy Efficiency Scheme, or the CRC Scheme, which subsequently was amended in February 2011 and became effective on April 1, 2011. The CRC Scheme applies to organizations whose mandatory half hourly metered electricity consumption is greater than 6,000 MWh in the qualification period (which for the first phase of the CRC Scheme was calendar year 2008). Our UK operations are captured under the CRC Scheme and we have acquired the necessary carbon offset allowances under the CRC Scheme at a cost of £12/tonne of CO2 emissions. The cost of these allowances presently are controlled and sold by the UK government, but the intention is that these will be supplied through a carbon trading scheme, which could see the cost of allowances increase in line with market forces.

In 2007, the US Supreme Court ruled that the US Environmental Protection Agency, or the USEPA, was authorized to regulate carbon dioxide emissions under the US Clean Air Act. Subsequently, the USEPA issued the Mandatory Reporting of Greenhouse Gases Rule, which requires large sources and suppliers in the US to report greenhouse gas (GHG) data at a facility located in the US if the levels of GHG emissions at such facility exceed certain threshold levels. In 2011, the US Supreme Court also ruled that the authority to regulate carbon dioxide emissions is limited to the USEPA under the US Clean Air Act and does not extend to the US states. At present these requirements do not apply to any of our US facilities.

International treaties or agreements also may result in increasing regulation of greenhouse gas emissions, including the introduction of carbon emissions trading mechanisms, in jurisdictions in which we operate. Any such regulation will likely result in increased future energy and compliance costs and may result in increased future capital expenditures. From a medium and long-term perspective, we are likely to see an increase in costs relating to our assets that emit significant amounts of greenhouse gases as a result of these regulatory initiatives. These regulatory initiatives will be either voluntary or mandatory and may impact our operations directly or through our suppliers or customers. Assessments of the potential impact of future climate change regulation are uncertain, given the wide scope of potential regulatory change in countries in which we operate.

The potential physical impacts of climate change on our operations are highly uncertain, and would be particular to the geographic circumstances, such as increased water levels. These effects may adversely impact the cost and financial performance of our operations, but are unlikely to emerge over a short time frame, and should therefore allow gradual mitigation measures to be enacted.

***In some instances, our operations generate waste that is required to be treated and/or destroyed. Generally, the waste generated by our operations is disposed of or reused in landfill applications, in each case, in accordance with applicable environmental laws.***

Our metal recycling operations produce significant amounts of waste. Currently, more than 99% of our waste streams are classified as non-hazardous and are, in many instances, used for beneficial uses in landfill applications, such as daily landfill cover material and engineering applications. Less than 1% of our waste streams are classified as hazardous, which are heavily regulated. With respect to such hazardous waste, we are required to pay to have it treated and/or destroyed and/or disposed of in hazardous waste landfills, in accordance with applicable laws.

We operate shredders for which the primary feedstock is automobile hulks and obsolete household appliances. Approximately 20% of the weight of an automobile hulk consists of non-metallic material, commonly referred to as shredder fluff or automobile shredder residue, or ASR, which constitutes the remnant material after the separation of saleable ferrous and non-ferrous metals. Environmental regulations in countries in which we operate require us to test ASR to determine if it is to be classified as hazardous waste before disposing of it off-site in permitted landfills or beneficially reusing it as alternate daily landfill cover material. Our other waste streams in the US and other countries in which we operate are subject to similar requirements. Additionally, we employ significant source control programs to ensure, to the fullest extent possible, that prohibited hazardous materials do not enter our raw materials stream. However, we cannot be assured that such materials will be successfully removed from our source streams and resultant recycling waste streams. As a result, our waste streams may, from time to time, be classified as hazardous waste in which case we may incur higher costs for disposal of these waste streams.

Environmental assessments, conducted by independent environmental consulting firms, of certain of our operating sites have revealed that some soil impacts, potentially including impacts associated with various metals, petrochemical by-products, waste oils, polychlorinated biphenyls, which are referred to as PCBs, and volatile organic compounds are, or may be, present at varying levels. It is likely that such impacts at varying levels may exist at some of the sites and it is expected that some of these sites could require investigation, monitoring and remediation in the future. The costs of such remediation could be significant. The existence of such impacts at some of our facilities potentially could require us to incur significant costs to remediate and could materially adversely affect our ability to sell those properties.

***We may have potential environmental investigation and cleanup liabilities.***

Certain of our US subsidiaries have received notices from the USEPA, US state agencies or third parties that they have been identified as potentially responsible for the cost of investigation and cleanup of landfills or other sites where our US subsidiary’s material was shipped or was otherwise released. In most cases, many other parties also are named as potentially responsible parties. The US Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA which is the US federal cleanup law, enables the USEPA and other entities to recover from owners, operators, generators and transporters the cost of investigation and cleanup of sites which pose or may pose serious threats to the environment or public health. In certain circumstances, a potentially responsible party may be held jointly and severally liable for the cleanup costs. In other cases, a responsible party may only be liable for a divisible share. Liability may be imposed even if the party shipped materials in a lawful manner at the time of shipment. Liability for investigation and cleanup costs can be significant, particularly in cases where joint and several liability may be imposed. The US Superfund Recycling Equity Act of 1999, which amended CERCLA, limits the exposure of metals recyclers for sales of recyclable material under certain circumstances. However, the recycling defense is subject to conducting reasonable care evaluations of current and potential consumers. Because CERCLA liability may be imposed retroactively on shipments that occurred many years ago, and because the USEPA and US state agencies still are discovering sites that present problems to public health or the environment, we cannot be assured that we will not become liable in the future for significant costs associated with investigation and remediation of CERCLA or US state cleanup sites.

***Our operations present an inherent risk of serious injury, illness or death.***

Because of the heavy industrial activities that are conducted at our facilities, there exists an inherent risk of serious injury or death to our employees or other visitors to our operations, notwithstanding the significant safety precautions that are taken by us. Our operations are subject to regulation by governmental agencies responsible for employee health and safety. We currently have in place policies and workplace strategies to minimize this risk to employees, contractors and other visitors to our facilities and, accordingly, to minimize the risk that we will incur government fines for violations of such regulations. We may, nevertheless, be unable to avoid material liabilities for any death, illness or injury that may occur in the future and these types of incidents may have a material adverse effect on our results of operations and financial condition.

***We are subject to the US Foreign Corrupt Practices Act and similar worldwide anti-bribery laws, which impose restrictions and may carry substantial penalties.***

Each of the US Foreign Corrupt Practices Act, the UK Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. These laws may require controls, policies and processes, including record-keeping practices, so that business is conducted without the influence of bribery and corruption. These anti-bribery laws often carry substantial penalties including fines, criminal prosecution and potential debarment from public procurement contracts. Failure to comply also may result in reputational damage. Our corporate policies mandate strict compliance with these laws. Given the high level of complexity of these anti-bribery laws, however, there is a risk that violations of these laws could occur in connection with our business operations. Any violation of these anti-bribery laws or allegations of such violations, whether or not merited, could result in a requirement for us to pay substantial penalties, result in disbarment from certain public procurement contracts and/or materially harm our reputation.

**Risks Related to Our Business**

***We have identified material weaknesses in our internal control over financial reporting and as a result had to restate our historical financial statements.***

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

In January 2013, we announced that our Board had established a Special Committee (the “Committee”) to investigate inventory valuation issues in our UK business. The Committee was assisted by the Group Chief Executive Officer and Group Chief Financial Officer, internal audit, PricewaterhouseCoopers and outside counsel. In February 2013, we announced that the Committee concluded that the Group’s UK inventories were overstated and that our consolidated financial statements for the three years ended June 30, 2012 would need to be restated. We restated such financial statements in our Amendment No. 1 on Form 20-F/A to the Annual Report on Form 20-F for the year ended June 30, 2012, which was filed with the SEC on March 15, 2013.

The Committee’s investigation revealed that the primary root causes for breakdowns in our control environment was attributed to the failure to adequately supervise operations (including inventories), responsibly safeguard assets and failure to maintain adequate controls over financial reporting relating to inventory. Additional operational failures identified included: failure to test inventory adjustments, failure to identify and halt accumulations of excessive levels of inventories and failure to successfully integrate information technology systems in the UK.

Management identified three material weaknesses in our internal control over financial reporting in fiscal 2012. The material weaknesses were in the following areas:

1. Segregation of duties — Duties within the inventory cycle of the UK operations were improperly segregated. UK management permitted uncontrolled access to operational managers who had the ability to perform monthly inventory counts, report inventory transfers and adjustments, prepare assays, approve pricing for suppliers and customers, and to determine inventory valuation.

2. Period end management review — UK management did not maintain effective period end controls over inventory valuation, and more specifically the physical inventory validation and reconciliation processes.

3. Inventory valuation — UK management failed to perform proper valuation analysis on its inventories. A properly structured inventory valuation would have identified the overstatement of inventories within the UK financial statements.

Two of these material weaknesses were remediated prior to June 30, 2013. As discussed further in Item 15, the inventory valuation material weakness was not remediated in fiscal 2013. In addition, management identified another material weakness related to the review of manual journal entries across multiple business units.

We are actively engaged in developing remediation plans designed to address the material weaknesses. If our remedial measures are insufficient to address the material weaknesses, or if additional material weaknesses or significant deficiencies in our internal control are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results. Also, this could lead to investors losing confidence in our reported financial and other information.

***We may not be able to successfully implement our cost-reduction initiatives.***

In January 2012, we undertook a review of our operations to identify cost-reduction initiatives to improve performance. The cost-reduction initiatives were implemented at certain of our operations in the latter part of fiscal 2012 and in fiscal 2013. While we were successful in reducing our controllable costs at these operations, we fell short of our internal targets. We continue to focus on cost-reduction initiatives and expect further savings in fiscal 2014. However, there can be no assurance that these initiatives will be completed or beneficial to us or that estimated cost savings from such activities will be realized as planned.

***Exchange rate fluctuations could have a material adverse effect on our results of operations and financial condition.***

We are exposed to movements in currency exchange rates in the countries in which we operate. Although our reporting currency is the Australian dollar, we have significant assets, liabilities and earnings denominated in currencies other than the Australian dollar, in particular US dollars, British pounds and Euros. These assets, liabilities and earnings, therefore, are exposed to fluctuations in exchange rates between these currencies and the Australian dollar. In general, an appreciation of the Australian dollar against another currency, and most particularly the US dollar, would adversely affect our results of operations, while a depreciation of the Australian dollar against another currency, and most particularly the US dollar, would have a favorable impact. Further depreciation of the Euro against the US dollar can reduce the attractiveness of scrap metals from the US to export markets and would be expected to limit demand from our key market.

Currency exchange rates have been extremely volatile in recent periods. In addition, exchange rate fluctuations may reduce the value of investments in overseas subsidiaries and associated companies and adversely affect our accumulated other comprehensive income. As a result, exchange rate fluctuations may negatively affect our results of operations and financial condition. Exchange rate fluctuations could also negatively impact compliance with credit agreements.

***If we fail to integrate acquisitions successfully, this could adversely affect our business and results of operations.***

As part of our growth strategy, we have acquired companies that we believe will expand, complement and/or diversify our business. In recent years, we have expanded aggressively, particularly in the US. In the last two fiscal years, by way of example, we acquired 18 companies. We do not currently intend to pursue any acquisition in fiscal 2014; however we cannot assure you that we will not determine later in fiscal 2014 to acquire companies.

Realization of the anticipated benefits of an acquisition will depend, among other things, upon our ability to integrate the acquired business successfully with our other operations and gain greater efficiencies and scale that will translate into reduced costs in a timely manner. However, there can be no assurance that an acquisition we may make in the future will provide the benefits anticipated when entering into the transaction. Acquisitions we have made and potential future acquisitions may expose us to operational challenges and risks, including the diversion of management's attention from our existing business, the failure to retain key personnel or customers of an acquired business, and the potential impairment of acquired identifiable intangible assets, including goodwill. Our ability to sustain our growth and maintain our competitive position may be affected by our ability to identify and acquire desirable businesses and successfully integrate any businesses acquired.

***We may not realize the anticipated benefits of our joint ventures or our strategic investments in third parties.***

From time to time, we make investments or enter into joint ventures with other entities as a means of entering into new markets. In addition to the current joint ventures and strategic investments, we may enter into similar joint ventures or make other investments when proper opportunities occur. Risks related to our existing and future joint ventures and strategic investments include:

- the potential for disagreement with our joint venture partner(s) or other investors, as applicable, on how the venture or business investment should be managed and/or operated;
- the potential for write-downs of our investments in joint ventures;
- the potential for us to be unable to exercise adequate control over the management and operations of the companies in which we invested, or the potential for us to make major decisions without the consent of other joint venture partner(s) or other investors, as applicable; or
- the potential for us to have different strategic objectives or business goals than our joint venture partner(s) or other investors, as applicable.

Any of these events could distract our management's attention and result in us not obtaining the anticipated benefits of a joint venture or strategic investments. This, in turn, would negatively affect the performance of such joint venture or strategic investment and its contribution to our results of operations. In fiscal 2013, we recorded an impairment charge of A$14.9 million related to our investment in Chiho-Tiande Group, or CTG, due to a significant decline its CTG's share price and its recent operating results. In fiscal 2012, we recorded an impairment charge of A$57.5 million related to our investment in SA Recycling LLC, or SA Recycling, due to changes in assessment of the earnings estimated for SA Recycling.

***We may be negatively impacted by excess automobile shredding capacity.***

There is excess automobile shredding capacity in the US and the UK. Consequently, industry participants have been required to reduce margin in order to gain incremental market share in order to secure a higher level of raw material. This has arisen because we and our competitors expanded capacity just ahead of the supply constraints arising from weak global economic conditions. Our profitability, return on capital, and cash flows have been, and may continue to be, adversely impacted by excess shredding capacity.

***Changes in interest rates could have a material adverse effect on our results of operations and financial condition.***

All of our borrowings have variable interest rates over a base rate. We have not historically hedged our exposure to higher interest rates and it may not be possible for us to effectively hedge against changes in interest rates, or on an economically reasonable basis. Increases in market interest rates would increase our borrowing costs and could have a material adverse effect on our results of operations and financial condition.

***The loss of export sales could have a material adverse effect our results of operations and financial condition.***

A significant portion of our recycled metal sales is exported to markets outside of Australia, the US and the UK, with significant sales to customers in China, Turkey and South Korea. If business opportunities in these markets were to decline significantly for any reason and alternative markets could not be found at comparable market prices, it would have a material adverse effect on our results of operations and financial condition. Other risks associated with our export business include, among other factors, political and economic factors, economic conditions in the world's economies, changes in legal and regulatory requirements, purchases or exports of recycled metal, freight costs and customer collection risks. Any of these factors could result in lower export sales, which could have a material adverse effect on our results of operations and financial condition.

***The inability to secure third party commercial freight carrier services at a market-based price could negatively affect our results of operation and financial condition.***

We rely on third party commercial freight carriers to transport almost all of our finished goods. Access to third party freight carriers and at reasonable prices cannot be assured. If we could not secure third party freight services at a market-based price competitive with others in our industry, there could be an adverse impact on our revenues, results of operations and financial position. Furthermore, we are dependent on international markets for shipping scrap and if laws or regulations were to prohibit or limit our ability to ship between continents, there could be an adverse effect to our results of operations and financial condition.

***We are subject to competition from containerized recycled ferrous metal exports which can negatively affect our port operations and marketing programs.***

We generate a significant portion of our earnings from the export of recycled ferrous metal. There has been an increasing recent trend of containers being used to export recycled ferrous metal. These containers are being used for exporting materials at a relatively low cost because vessel operators provide lower freight costs to container shippers relative to bulk shippers. Small recycled metal operators, principally in the Southwestern US, have been exporting significant quantities of recycled ferrous metal in containers in competition with us. The increasing competition from containerized recycled ferrous metal exports may reduce ferrous scrap intake to our yards and our gross margin on ferrous export sales, and accordingly, could have a material adverse effect on our results of operations and financial condition.

***The commercial counterparties we transact with may not meet their obligations, which could have a material adverse effect on our results of operations and financial condition.***

We enter into business arrangements with a large number of commercial and financial parties, including customers, suppliers and financial institutions. We generally do not enter into long-term contracts with our customers. In the past, certain of our customers have sought to terminate or modify their contracts on short notice without the payment of monetary or other penalties. Our existing counterparty credit controls may not prevent a material loss due to credit exposure to a major customer or financial counterparty. In addition, customers or suppliers may fail to perform against existing contracts and obligations causing us to remarket our scrap and potentially realize lower prices and margins. These factors could have a materially adverse effect on our results of operations and financial condition.

***Potential credit losses from significant customers could have a materially adverse effect on our results of operations and financial condition.***

In connection with the sale of products (other than sales with letters of credit), we generally do not require collateral as security for customer receivables nor do we typically purchase credit insurance. We may have significant balances owing from customers that operate in cyclical industries and under leveraged conditions that may impair our collection of those receivables. We sell scrap metals to steel mills and other consumers who may have difficulty refinancing maturing obligations because of unfavorable conditions prevailing in the global credit markets. Failure to collect a significant portion of amounts due on those receivables could have a material adverse effect on our results of operations and financial condition. In fiscal 2013, we recognized an impairment of A$4.8 million relating to loans made to a customer. Further, we were required to establish an additional provision of A$1.1 million for an uncollectible accounts receivable as a result of a customer bankruptcy.

***We rely on lines of credit from commercial banks to finance our operations. Our results of operations and financial condition would be materially adversely affected if we were unable to continue to have access to bank financing on acceptable terms.***

As of June 30, 2013, the total amount available under our credit facilities was A$1,396.7 million, of which A$219.3 million was outstanding, resulting in A$1,177.4 million of potential borrowing availability under the facilities. Our borrowing availability under the facilities is subject to covenants specified under the facilities. As of June 30, 2013, we had cash balances of A$46.9 million. If these banking institutions were to fail or to otherwise become unable or unwilling to satisfy their obligations to us under our credit agreements, then these events would likely have a material adverse effect on our results of operations and financial condition. Furthermore, our credit facilities contain customary events of default. The occurrence of an event of default under a credit facility could result in the termination of such credit facility by the relevant lender and, due to the existence of cross default provisions among our various lenders, could result in the termination of all of our credit facilities. Should these events occur, then they would likely have a material adverse effect on our results of operations and financial condition. We are also subject to certain financial covenants under the credit facilities which are measured on a bi-annual basis. If we are unable to comply with such covenants, then such non-compliance would result in a deemed default under the facilities due to the aforementioned cross default provisions. Although we were in compliance with all of the financial covenants in our credit facilities as of June 30, 2013, due to the weak global economic conditions in the aftermath of the global financial crisis and its lingering effects on commodity markets and our industry, it is possible that we will be unable to continue to comply with our financial or other obligations under the credit facilities in the future.

Each of our credit facilities mature at the end of October 2015. There can be no assurance that we will be able to extend or refinance our existing credit facilities when they mature. If we are able to extend or refinance our existing credit facilities, there can be no assurance that the financial and other terms of the new facilities will be comparable to the terms of our existing credit facilities or that the available terms will be acceptable to us. Our inability to extend or refinance our existing credit facilities, or on terms comparable to the terms of our existing credit facilities, could have a material adverse effect on our results of operations and financial condition.

***We currently do not have a Group CEO and our company is being managed by a Global Leadership Team. The loss of any member of our senior management team or a significant number of our managers could have a material adverse effect on our results of operations and financial condition.***

Our operations depend on the skills and efforts of our senior management team. In addition, we rely substantially on the experience of the managers of our businesses with regard to day-to-day operations. While we have employment agreements with certain members of our senior management team, we may be unable to retain the services of any of those individuals. The loss of any member of our senior management team or a significant number of managers could have a material adverse effect on our results of operations and financial condition.

On June 30, 2013, Daniel W. Dienst retired as an executive director and Group CEO. Effective July 1, 2013, the Board created a Global Leadership Team to serve in lieu of the Group CEO. On October 8, 2013, the Board announced the appointment of Galdino Claro as Group CEO and Managing Director effective November 4, 2013.

Our compensation plans incorporate a long-term incentive element that relates to our common stock. In recent years, due to the decline in our share price, this element of compensation has not been meaningful to employees and could adversely affect retention.

***We may not be able to negotiate future labor contracts on favorable terms.***

Many of our employees are represented by various labor unions. As the agreements with those unions expire, we may not be able to negotiate extensions or replacements of them or on terms favorable to us. From time to time, we may not be able to avoid strikes, lockouts or other labor actions. Any labor action resulting from the failure to reach an agreement with our unions could have a material adverse effect on our results of operations and financial condition.

***Changes in assumptions underlying the carrying value of goodwill or other identifiable intangible assets, as a result of adverse market conditions, could result in an impairment of such assets and adversely affect our results of operations, the price of our securities and our ability to pay dividends.***

In accordance with IFRS, we test goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, or CGU, to which the goodwill relates. An impairment loss is recognized 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 or value in use.

In fiscal 2013, the continuing difficult economic conditions affecting the Group’s industry, changes to the Group’s operating results and forecasts, and a significant reduction in the Group’s market capitalization negatively affected the fair value of our CGUs for purposes of our periodic testing of goodwill and other identifiable intangible assets for impairment. As a result, we recorded A$292.2 million of goodwill impairment charges and A$12.2 million of other intangible asset impairment charges during fiscal 2013. As of June 30, 2013, the balances of goodwill and other identifiable intangible assets were A$166.5 million and A$97.4 million, respectively. Since fiscal 2009, we have recorded A$1,114.5 million of goodwill and other intangible impairment charges. Refer to Note 14 of the consolidated financial statements included in Item 18 of this annual report for additional information.

The metal recycling industry is highly cyclical and we are more likely than other companies in less cyclical industries to incur impairment losses due to variability in our earnings and cash flows. We may be required to record additional impairment charges relating to goodwill and other identified intangibles in future periods if the fair value of any of our CGUs declines below its carrying value. Any additional impairment charges will negatively affect our results of operations and financial condition.

***We are exposed to the risk of legal claims and other liabilities that may have a material adverse effect on our results of operations and financial condition.***

We are exposed to the risk of legal claims and other liabilities arising in connection with the operation of our business which could have a material adverse effect on our results of operations and financial condition. These claims and liabilities may include: (i) claims by employees or former employees relating to personal injury, compensation or employment law violations; (ii) environmental, land use and other claims arising out of the ownership or operation of our facilities; and (iii) disputes with customers, suppliers and other third parties. The nature of our business may expose us to a higher risk of legal claims and other liabilities than the typical company. In particular, metal recycling companies generally are exposed to higher risks of environmental claims and liabilities than companies in non-manufacturing industries. Also, employees working for a company in the metal recycling industry may be more likely to suffer workplace injuries than employees of companies in other industries, which exposes metal recycling companies to a higher risk of a claim by employees or former employees relating to personal injury than the typical company.

The resolution of claims and other liabilities may require us to pay material damages or other costs to third parties, including potentially punitive, exemplary or other special damages. The resolution of claims also may involve an extensive commitment of senior management’s time and attention, and may require changes in our business practices resulting in decreased revenues or profits or additional costs. Even if claims or other liabilities are resolved successfully, we may incur significant legal and other expenses in defending against such matters.

***Our tax liabilities may substantially increase if the tax laws and regulations in the countries in which we operate change or become subject to adverse interpretations or inconsistent enforcement.***

Taxes payable by companies in many of the countries in which we operate are substantial and include value added taxes, excise duties, taxes on income (including profits and capital gains), payroll related taxes, property taxes and other taxes. Tax laws and regulations in some of these countries may be subject to frequent change, varying interpretation and inconsistent enforcement. In addition, many of the jurisdictions in which we operate have adopted transfer pricing legislation. If tax authorities impose significant additional tax liabilities as a result of transfer pricing adjustments, it could have a material adverse effect on our results of operations and financial condition. It is possible that taxing authorities in the countries in which we operate will introduce additional revenue raising measures. The introduction of any such provisions may affect our overall tax efficiency and could result in significant additional taxes becoming payable. Any such additional tax exposure could have a material adverse effect on our results of operations and financial condition. We may face a significant increase in income taxes if tax rates increase or the tax laws or regulations in the jurisdictions in which we operate or treaties between those jurisdictions are modified in an adverse manner. This may adversely affect our results of operations and financial condition.

***Our insurance policies provide coverage with limitations, potentially leaving us uninsured against some business risks.***

The occurrence of an event that is uninsurable or not fully insured could have a material adverse effect on our financial condition and results of operations. We maintain insurance on property and equipment in amounts believed to be consistent with industry practices but we are not fully insured against all business risks. Our insurance policies cover physical loss or damage to property and equipment arising from a number of specified risks, including business interruption arising from the occurrence of an insured event under the policies. Under these policies, damages and losses caused by certain natural disasters, such as earthquakes and floods, also are covered. In addition, we maintain various other types of insurance, such as directors' and officers' liability insurance, workmen's compensation insurance and marine insurance.

Because we believe that the cost of the premiums outweighs the benefit of coverage, we do not carry environmental impairment liability insurance. If we were to incur significant liability for environmental damage, such as a claim for soil or groundwater remediation, our results of operations and financial condition could be materially adversely affected.

In addition, we maintain trade credit insurance on receivables but only for certain customers, subject to limits that we believe are appropriate, in order to protect us against the risk of non-payment due to customers' insolvency or other causes. Not all of our customers are or can be insured, and even when insurance is available, it may not fully cover the exposure.

Notwithstanding the insurance coverage that we carry, the occurrence of an accident that causes losses in excess of limits specified under the relevant insurance policy, or losses arising from events not covered by insurance policies, could adversely affect our results of operations and financial condition. Increases in our loss experience rate also increase the cost of our commercial insurance.

***A cyber security incident and other technology disruptions could negatively impact our business and our relationships with customers***

We use computers in substantially all aspects of our business operations. We also use mobile devices, social networking and other online activities to connect with our employees, suppliers, business partners and our customers. Such uses give rise to cyber security risks, including security breach, espionage, system disruption, theft and inadvertent release of information. Our business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including customers' and suppliers' personal information, private information about employees, and financial and strategic information about us and our business partners.

While we have implemented measures to prevent security breaches and cyber incidents, our preventative measures and incident response efforts may not be entirely effective. The theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, or interference with our information technology systems or the technology systems of third parties on which we rely, could result in business disruption, negative publicity, violation of privacy laws, loss of customers, potential liability and competitive disadvantage.

**Risks Related to Our Ordinary Shares and American Depository Shares, or ADSs**

***Our largest shareholder has significant influence over transactions requiring shareholder approval.***

Mitsui Raw Materials Development Pty Limited holds approximately 18% of our outstanding ordinary shares and is our largest shareholder. Under our constitution, Mitsui & Co., Ltd and any of its related corporate bodies, which are collectively referred to as Mitsui, have the right to designate a representative director to serve on our Board so long as Mitsui holds 5% or more of Sims ordinary shares and, so long as Mitsui holds 15% or more of Sims ordinary shares, then Mitsui has the right to designate both a representative director and an independent director to serve on our Board. Currently, Tamotsu Sato is Mitsui's designated representative director and Christopher J. Renwick is Mitsui's designated independent director. Mitsui may have interests with respect to its investment in Sims that are different from, or in addition to, the interests of other holders of Sims ordinary shares or ADSs. The extent of Mitsui's shareholding in our ordinary shares also could have the effect of discouraging offers to acquire control of Sims and may preclude holders of Sims ordinary shares or ADSs from receiving any premium above the market price for their shares that may be offered in connection with any attempt to acquire control of Sims.