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Dividends

For fiscal 2008, an interim dividend of A$0.55 per share was determined by our Board of Directors, or Board, in February 2008 and was paid in April 2008. A final dividend of A$0.75 per share, comprising an ordinary dividend of A$0.65 per share and a special dividend of A$0.10 per share, was determined by our Board in August 2008 and paid in October 2008.

The table below sets forth the amounts of interim, final and total dividends paid in respect of each fiscal year indicated.

Fiscal year ended	Interim	Final	Special	Total
		(in A$ per share)		
June 30, 2008	0.55	0.65	0.10	1.30
June 30, 2007	0.60	0.60	—	1.20
June 30, 2006	0.45	0.60	—	1.05
June 30, 2005	0.70	0.70	0.20	1.60
June 30, 2004	0.26	0.60	—	0.86

We presently expect to continue to pay dividends in the future. The total amounts of future dividends will be determined by our Board and will depend on our net income, cash flow, financial and economic conditions and other factors. We have expressed an intention to maintain a dividend payout ratio of between 45% and 55% of net income.

Cash dividends are paid in Australian dollars. Fluctuations in the exchange rate between the Australian dollar and U.S. dollar will affect the U.S. dollar amounts received by holders of Sims ADSs upon conversion of the dividends into U.S. dollars.

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 may be 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.*

The current unprecedented disruptions in the credit and equity markets worldwide may impede or prevent our access to the capital markets for additional funding to expand or operate our business and may affect the availability or cost of borrowing under our existing or future credit facilities. Additionally, we believe the disruptions in the credit markets have contributed to rapidly falling commodity prices, which have had an adverse impact on our revenues and results of operations.

The credit and equity markets of both mature and developing economies have experienced extraordinary volatility, asset erosion and uncertainty in the last several months, leading to governmental intervention in the banking sector in the U.S. and abroad on an unprecedented scale. Until these market disruptions diminish, we may not be able to access the capital markets 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 this manner on terms acceptable to us, we may have to limit our growth initiatives or take other actions that could adversely affect our business, financial condition, results of operations and cash flows.

Our business may be adversely affected by a general economic slowdown or recession in the U.S., the United Kingdom and other countries.

The U.S. and United Kingdom economies and the economies of other key industrialized countries currently are characterized by reduced economic activity (including, in some cases, recession), increased unemployment and substantial uncertainty about their financial services markets. Some of our customers have announced curtailments of production due to lesser demand, which has adversely affected the demand for our products. Continuation or worsening of the current economic conditions, a prolonged global or U.S. economic recession or other events that could produce major changes in demand for our products could have a material adverse effect on our results of operations and financial condition. We are not able to predict the impact of the current global financial and credit crisis will have on our operations and the industry in general going forward.

The metal recycling industry has historically been, and is expected to remain, highly cyclical and demand from individual export markets, which are important to us, is volatile and we believe the regions in which we operate are currently, or will soon be, in recession and the downturn could be severe.

The operating results of the metal recycling industry, in general, have historically been, and are expected to remain, highly cyclical in nature and our operations, specifically, are expected to be highly cyclical in nature. Our results from operations will tend to reflect, and be amplified by, changes to general economic conditions in the world. Historically, in periods of recession or periods of slowing economic growth, the results from operations of metal recycling companies have been materially and adversely affected. For example, during recessions or periods of slowing economic growth, the automobile and the construction industries typically experience major cutbacks in production, resulting in decreased demand for steel, copper and aluminum, and it would be expected that, during such periods, there would be significant fluctuations in demand and pricing for our products. Economic downturns will likely materially and adversely affect our results of operations and financial condition. Our ability to withstand significant economic downturns or recessions in the future will depend, in part, on our level of capital and liquidity at the time. Our business may also be adversely affected by increases in steel imports into the United States or other significant market regions, such as Australia, the United Kingdom and New Zealand, 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, our business 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. If metal markets weaken and we are unable to reduce costs commensurately, we could experience a material decline in earnings. A material decline in earnings could negatively affect cash flows and capitalization and the market price for our ordinary shares and our ADSs.

We are subject to significant risks relating to changes in commodity prices, currency exchange rates and interest rates, and may not be able to effectively protect against these risks.

We are exposed to commodity price risk during the period that 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 raw materials, competitive conditions may limit our ability to pass on price increases to our consumers. In a decreasing price environment for 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 could result 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, where no established futures market exists. Thus, our sales and inventory position will be vulnerable to adverse changes in commodity prices, which could materially 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 one time, this 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 hedged our position, this will have an adverse impact on profitability. Since September 2008, there has been a precipitous decline in commodity prices which required us to adjust our inventory to net realizable value. In September 2008, we recorded inventory write-downs of approximately A$70 million. Additional provisions may be required in the future if commodity prices continue to decline or if orders we intend to ship are cancelled or subject to renegotiation.

As a company that operates in many countries, we are also exposed to movements in currency exchange rates, the impact of which cannot be reliably predicted. We report our financial results in Australian dollars; however, we have significant assets, liabilities and earnings denominated in currencies other than Australian dollars, in particular U.S. 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. Currency exchange rates have been extremely volatile in recent periods. In addition, all of our borrowings have variable interest rates. It may not be possible for us to effectively hedge against changes in interest rates at all or on an economically reasonable basis. Increases in interest rates could materially 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 adversely affect our results of operations and financial condition.

A significant portion of our recycled metal sales is exported to markets outside of Australia, the U.S. and the United Kingdom, with significant sales to customers in China, Turkey, India, Malaysia and other markets. If sales to these markets were to decline significantly for any reason and alternative markets could not be found at comparable market prices, it would materially adversely affect our results of operations and financial condition. We believe the current credit crisis is limiting our customers’ ability to place orders for our products. 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, changes in currency exchange rates applicable to the U.S. dollar, Australian dollar and the currencies of other countries in which we operate, purchases or exports 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.

We are subject to competition from containerized recycled metal exports which negatively affects our port operations and marketing programs.

We generate a significant proportion of our earnings from the export of recycled metal. In 2007, but to a lesser degree in 2008, there has been a significant increase in the number of empty containers at ports in the United States, Australia, the United Kingdom and elsewhere which may be 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 United States, have taken advantage of this situation by exporting significant quantities of recycled metal in containers in competition with us. The increasing competition from containerized recycled metal exports may reduce our export gross margin on sales or volumes and, accordingly, may have a material adverse effect on our results of operations and financial condition.

The termination of material customer contracts could have a material adverse effect on our results of operations and financial condition.

We generally do not enter into long-term contracts with our customers. In addition, certain of our customers have in the past sought to terminate or modify their contracts on short notice without the payment of monetary penalties or incurring other penalties. The loss of significant customers, deterioration in the financial condition of significant customers, or the termination or modification of material customer contracts could have a material adverse effect on our results of operations and financial condition.

In October 2008, we experienced a dramatic reduction in demand for both ferrous and non-ferrous scrap metal in part attributable to weakening economies and in some cases due to reactions by consumers to falling commodity prices. In some cases, we have had to renegotiate existing contracts due to the precipitous decline in commodity prices. In other cases, certain customers have expressed an intention to renege on their contracts altogether.

Potential credit losses from significant customers could adversely affect our results of operations and financial condition.

In connection with the sale of products, 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 the collection of those receivables. We sell scrap metals to steel mills and other consumers which may have difficulty refinancing maturing obligations because of the current credit crisis. 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.

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

We currently maintain unsecured credit facilities provided by Commonwealth Bank of Australia, or CBA, Westpac Banking Corporation or WBC, Bank of America Corporation, or BOA and certain other lenders. These credit facilities have maturity dates from 2009 through 2010. The lending relationships are generally long standing and typically have been extended in the ordinary course, but recognizing the circumstances of the evolving global credit crisis, no assurance can be provided in this regard. As of June 30, 2008, the total amount available under these facilities was approximately A$1.1 billion of which approximately A$496.6 million was outstanding, resulting in approximately A$569 million of additional borrowing availability under the facilities. At June 30, 2008, we also had cash balances of approximately A$133.5 million. If these banking institutions were to fail or otherwise become unable or unwilling to satisfy its obligations to us under our credit agreements, it would have a material adverse effect on our results of operations and financial condition. Furthermore, the 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 lender and, thus, may have a material adverse effect on our results of operations and financial condition. In particular, we are subject to certain financial covenants under the credit facilities. If we are unable to comply with such financial covenants under a credit facility, it would result in a default under such credit facility. Although we believe we were in compliance with all of the financial covenants in our credit facilities as of September 30, 2008, based on current uncertainty arising from the credit crisis and its related effects on commodity markets coupled with prevailing recessionary economic conditions in the U.S. and United Kingdom, there can be no assurance or certainty provided that we will be able to continue to comply with our financial or other obligations under the credit facilities. The credit facilities also provide for cross defaults, such that if we default under one credit facility, we will be deemed to have defaulted under the other credit facilities. The CBA and WBC credit facilities also provide for an annual review of the credit facilities after which they may either vary the terms of the facilities to their satisfaction or terminate the facilities with a one year notice period and call for repayment of any amounts outstanding. There can be no assurance that our lenders will continue to provide us with financing on acceptable terms.

Subsequent to June 30, 2008, we increased the amount of availability under these facilities by A$100 million. Based on current financial market conditions evidenced by the credit crisis, 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 at all 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.

Approximately A$1.0 billion of our current credit facilities are denominated in Australian dollars. We use these credit facilities periodically to fund our operations in the United States and Europe. Since July 1, 2008, the Australian dollar has weakened substantially against the U.S. dollar, the euro and the British pound. As a result, this has reduced the amount of U.S. dollar, euro and British pound borrowings that are available from the Australian credit facilities. If the Australian dollar were to weaken further, this could adversely impact our ability to fund our U.S. and European operations.

The profitability of our metal recycling operations depends, in part, on the availability of an adequate source of supply.

We procure our recyclable metal inventory from numerous sources. These suppliers generally are not bound by long-term contracts and will 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, a slowdown of industrial production in the United States or certain other countries, as has recently occurred, reduces the supply of industrial grades of metal to the metal recycling industry, resulting in us having less recyclable metal available to process and market.

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. The relative scarcity of recycled ferrous metal, particularly prime or industrial grades, during such periods, provides opportunities for producers of substitute products, such as pig iron and direct reduced iron pellets. 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 working on ways to produce recycled ferrous metal substitutes. If these efforts prove successful, they could become significant competitors and materially adversely impact our results of operations and financial condition.

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, 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. 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, governmental compliance actions may also give rise to potential claims for damages by private parties. 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 impact to our results of operations and financial condition.

Our operations are subject to stringent environmental laws and regulations.

We are subject to comprehensive statutory and regulatory environmental requirements relating to, among others:

- the acceptance, storage, treatment, handling and disposal of solid, hazardous and toxic waste;
- the discharge of materials into the air;

- the management and treatment of wastewater and storm water;
- the remediation of soil and groundwater contamination; 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 contamination. 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 the potential for regulation and or legislation relating to mercury contaminants. Automobile hulks that are purchased and processed by us may contain mercury switches. 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 for pollution control equipment, remediation or other initiatives that may be required cannot be predicted with accuracy. However, it is generally expected that environmental standards will become increasingly more stringent and that the expenditures necessary to comply with those heightened standards will correspondingly increase.

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 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 groundwater. As part of our continuous improvement programs, we expect to incur costs to improve environmental control systems.

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.

Our operations generate waste that is required to be treated, stored and disposed of in accordance with applicable environmental laws.

Our metal recycling operations produce significant amounts of waste that we are required to pay to have treated or discarded. For example, 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. Our other waste streams in the United States 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 by-products. As a result, our waste streams may, from time to time, be classified as a hazardous waste in which case we may incur higher costs for disposal of these waste products.

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 U.S. subsidiaries have received notices from the United States Environmental Protection Agency, or USEPA, U.S. 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 the subsidiary's material was shipped. In most cases, many other parties are also named as potentially responsible parties. The Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, enables USEPA and other United States' regulatory agencies to recover from owners, operators, generators and transporters the cost of investigation and cleanup of sites which 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 cost of cleanup. In other cases, a party who is liable 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. CERCLA, including the Superfund Recycling Equity Act of 1999, limits the exposure of metals recyclers for sales of certain recyclable material under certain circumstances. However, the recycling defense is subject to conducting reasonable care evaluations of current and potential consumers. Because CERCLA can be imposed retroactively on shipments that occurred many years ago, and because USEPA and state agencies are still 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 waste sites.

We do not have environmental impairment insurance, except in limited amounts for specific circumstances.

In general, 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.

Our operations present risk of injury or death.

Because of the heavy industrial activities that are conducted at our facilities, there exists a risk of serious injury or death to our employees or other visitors to our operations, notwithstanding the safety precautions that are taken. Our operations are subject to regulation by governmental agencies responsible for employee health and safety. We currently have in place policies to minimize this risk to employees 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 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.

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 heavily on the skills and efforts of our senior management team. In addition, we rely substantially on the experience of the management of our businesses with regard to day-to-day operations. While we have employment agreements with certain 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.

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 on terms favorable to us, or at all, or avoid strikes, lockouts or other labor actions from time to time. Therefore, as labor contracts expire, we cannot be assured that new labor agreements will be reached with our unions or on terms that we find acceptable. Any labor action resulting from the failure to reach an agreement with our unions could have an adverse effect on our results of operations and financial condition.

We are obligated to contribute to defined benefit pension plans, some of which are underfunded.

We currently contribute to defined benefit pension plans that cover various categories of employees and retirees. The obligation to make contributions to fund benefit obligations under these pension plans is based on actuarial valuations, which are based on certain assumptions, including the long-term return on plan assets and discount rate. Our defined benefit pension plans were underfunded by approximately A$4.8 million as of June 30, 2008. We will have to make additional contributions to fund our pension benefit plans especially in light of recent turmoil in financial markets around the world leading to declines in investment assets of our defined benefit pension plans. Contributions will negatively impact our cash flow and results of operations. In addition, we contribute to various multi-employer pension plans which cover employees under collective bargaining agreements. The required contributions are specified in such collective bargaining agreements. However, we may be required to fund additional amounts in the future if one or more of these multi-employer plans do not meet regulatory funding guidelines. Additional contributions will negatively impact our cash flow, results of operations and financial condition.

The mergers with Metal Management and Hugo Neu Corporation and the diversification into e-recycling and the formation of the SA Recycling joint venture have significantly changed the scope and scale of our company requiring many organizational changes involving board structure, management structure, and marketing strategies which are complex and which introduce implementation risks.

In the past three years, we have expanded rapidly and implemented sweeping organizational changes to attempt to capture integration benefits arising from two large mergers in North America and our diversification into e-recycling. Arising from these strategies, our Board and executive management have undergone significant changes. Additionally, we have implemented new international marketing strategies for ferrous and non-ferrous scrap sales and relocated our headquarters from Australia to the U.S. There can be no assurance that we will be able to implement our new organizational structure and marketing strategies successfully or that we will be able to effectively manage the rapid growth of our business.

If we were to lose our foreign private issuer status under U.S. federal securities laws, we would likely incur additional expenses associated with compliance with the U.S. securities laws applicable to U.S. domestic issuers.

We are a foreign private issuer, as such term is defined in Rule 405 under the Securities Act, and, therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to U.S. domestic issuers. In order to maintain this status, a majority of our ordinary shares, including ordinary shares underlying our ADSs, must be either directly or indirectly owned of record by non-residents of the United States as we do not currently satisfy any of the additional requirements necessary to preserve this status. Currently, a majority of our ordinary shares are held by non-residents of the United States. If we lost this status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We may also be required to make changes in our corporate governance practices in accordance with various Securities and Exchange Commision, or the SEC, and New York Stock Exchange, or the NYSE, rules. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer may be significantly higher than the cost we would incur as a foreign private issuer.

We are incurring higher expense related to the amortization of intangible assets and may be required to report losses resulting from the impairment of goodwill or other assets recorded in connection with completed or future acquisitions which in the aggregate approximate A$1.5 billion as of June 30, 2008.

We have expanded our operations through acquisitions and joint ventures involving metal recycling and e-recycling businesses owned by third parties. We expect to continue to complete selected acquisitions and joint venture transactions in the future. In connection with acquisition and joint venture transactions, applicable accounting rules generally require the tangible and certain intangible assets of the acquired business to be recorded on the balance sheet of the acquirer at their fair market value. Intangible assets, other than goodwill, are required to be amortized over their estimated useful lives and this expense may be significant. Any excess in the purchase price paid by the acquirer over the fair market value of tangible and identified intangible assets of the acquired business is recorded as goodwill. If it is later determined that the anticipated future cash flows from the acquired business will be less than the fair market value of the assets and goodwill of the acquired business recorded at the time of the acquisition, the assets or goodwill may be deemed to be impaired. In this case, the acquirer may be required under applicable accounting rules to write down the value of the assets or goodwill on its balance sheet to reflect the extent of the impairment. This write-down of assets or goodwill is generally recognized as a non-cash expense in the income statement during the period in which the write down occurs. If we determine that any of the assets or goodwill recorded in connection with prior or future acquisitions or joint venture transactions have become impaired, we will be required to record a loss resulting from the impairment. The metal recycling industry is highly cyclical and therefore is more likely than other less cyclical companies in other industries to incur impairment losses. Impairment losses could be significant and could have a material adverse effect on our results of operations and capitalization and could have a material adverse effect on our ability to pay dividends.

Prior to our merger with Metal Management, Sims was not subject to Securities and Exchange Commission rules. We will incur significant expenditures and investment of senior management time with respect to our internal controls to ensure compliance with the requirements of Section 404 of the Sarbanes Oxley Act of 2002.

Section 404 of the Sarbanes Oxley Act of 2002 and the regulations of the SEC, thereunder require our senior executives and senior financial officers to assess the effectiveness of our internal controls over financial reporting on an annual basis commencing with fiscal 2009. Our independent registered public accounting firm will also be required to provide a report with respect to our internal control over financial reporting annually commencing with fiscal 2009. Management believes that we will incur additional expenditures of approximately A$4 million in fiscal 2009 to ensure compliance with the requirements of Section 404 of the Sarbanes Oxley Act of 2002.

Material weaknesses in our internal control over financial reporting could result in the inability of investors to rely on our financial statements, which could result in an adverse effect on the perceived value of the company and, thus, a reduction in our stock price. Management is responsible for establishing and maintaining adequate internal control over financial reporting. As discussed below under Item 15, “Controls and Procedures,” there were two material weaknesses identified in the fiscal 2008. We have begun to remediate the material weaknesses in internal control over financial reporting and the ineffectiveness of the disclosure controls and procedures. However, should the material weaknesses not be remediated fully or if additional material weaknesses are identified in fiscal 2009, our shareholders may face additional risks. The existence of material weaknesses could impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis and result in the loss of investor confidence in the reliability of our financial statements. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our ordinary shares and ADSs, could be materially and adversely affected.

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 that may 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 facilities; and (iii) disputes with customers, suppliers and other business relations. The nature of our business may make us more likely than some other companies to be exposed to the risk of legal claims and other liabilities. In particular, metal recycling companies are generally exposed to higher risks of environmental claims and liabilities than companies in non-manufacturing industries, and employees working in the metal recycling industry may be more likely to suffer workplace injuries than employees of companies in other industries. The resolution of these 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 may also involve an extensive commitment of senior management 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 tax, 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 cash flows, liquidity and ability to pay dividends.

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

Due to the extensive diversification of our international operations, 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. In circumstances implicated by 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.

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

Mitsui Raw Materials Development Pty Limited holds approximately 19.1% of the outstanding ordinary shares of Sims 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