

**A K STEEL LIMITED**

**DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 NOVEMBER 2007**



**Company Registration No. 932617  
(England and Wales)**

# A K STEEL LIMITED

## COMPANY INFORMATION

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**Directors**

V Rao  
J Geraeds

**Secretary**

WKH Company Services Limited

**Company number**

932617

**Registered office**

Lloyds Bank Chambers  
3 High Street  
Baldock  
Herts  
SG7 6BB

**Auditors**

Deloitte LLP  
Chartered Accountants and Registered Auditors

**Bankers**

HSBC Bank plc  
Station Place  
Letchworth Garden City  
Herts  
SG6 3AJ

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# **A K STEEL LIMITED**

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# **A K STEEL LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 30 NOVEMBER 2007**

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The directors present their report and financial statements for the year ended 30 November 2007.

This report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

### **Principal activities**

The principal activity of the company continued to be that of the importation and sale of speciality steel products from associated companies and licensed producers.

### **Directors**

The following directors have held office during the year:

T Ender	(Resigned 30 October 2007)
P Stigter	(Resigned 31 March 2007)
J Geraeds	(Appointed 31 March 2007)
V Rao	(Appointed 22 October 2007)

### **Auditors**

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Deloitte LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

In the case of each of the persons who are directors of the company at the date when this report is approved:

- So far as each director is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- Each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

# **A K STEEL LIMITED**

## **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2007**

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### **Statement of directors' responsibilities**

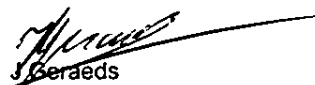
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

On behalf of the board



J. Berdaeds

Director

13 November 2008

# **A K STEEL LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF A K STEEL LIMITED**

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We have audited the financial statements of AK Steel Limited for the year ended 30 November 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Company's Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# **A K STEEL LIMITED**

## **INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF A K STEEL LIMITED**

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### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 November 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*Deloitte LLP*

Deloitte LLP

4 December 2008

Chartered Accountants and Registered Auditors  
Cambridge, United Kingdom

# A K STEEL LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 NOVEMBER 2007

	Notes	2007 £	2006 £
Turnover	2	2,081,753	2,258,126
Cost of sales		(1,361,203)	(1,596,038)
Gross profit		720,550	662,088
Distribution costs		(139,006)	(143,304)
Administrative expenses		(497,561)	(356,374)
Other operating income		78,319	61,043
Operating profit	3	162,302	223,453
Other interest receivable and similar income	4	2,058	37,534
Interest payable and similar charges	5	(21,309)	(18,379)
Profit on ordinary activities before taxation		143,051	242,608
Tax on profit on ordinary activities	6	(55,885)	(75,304)
Profit for the year	13	87,166	167,304

The profit and loss account has been prepared on the basis that all operations are continuing operations.



## A K STEEL LIMITED

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

*FOR THE YEAR ENDED 30 NOVEMBER 2007*

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		2007	2006
	Notes	£	£
Profit for the financial year		87,166	167,304
Actuarial gain on pension scheme	11	288,000	114,000
		<hr/>	<hr/>
Total gains and losses recognised since last financial statements		375,166	281,304
		<hr/>	<hr/>

# A K STEEL LIMITED

## BALANCE SHEET AS AT 30 NOVEMBER 2007

	Notes	2007 £	£	2006 £	£
<b>Current assets</b>					
Stocks	8	356,089		436,508	
Debtors	9	606,520		876,291	
Cash at bank and in hand		200,237		66,977	
		<u>1,162,846</u>		<u>1,379,776</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(353,565)</u>		<u>(699,661)</u>	
<b>Total assets less current liabilities</b>			809,281		680,115
<b>Pension scheme asset / (liability)</b>	11		<u>223,000</u>		<u>(23,000)</u>
			<u>1,032,281</u>		<u>657,115</u>
<b>Capital and reserves</b>					
Called up share capital	12		455,000		455,000
Profit and loss account	13		<u>577,281</u>		<u>202,115</u>
<b>Shareholders' funds</b>	14		<u>1,032,281</u>		<u>657,115</u>

The financial statements were approved by the Board and authorised for issue on 13 November 2008.  
They were signed on its behalf by:

  
J. Geraeds  
Director

# **A K STEEL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2007**

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### **1 Accounting policies**

#### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

#### **1.2 Turnover**

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

#### **1.3 Leasing**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### **1.4 Stock**

Stock is stated at the lower of cost and net realisable value.

#### **1.5 Pensions**

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

# A K STEEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2007

### 1 Accounting policies

(continued)

#### 1.6 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### 1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

#### 1.8 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

### 2 Turnover

#### Geographical market

	2007 £	2006 £
United Kingdom	1,645,472	1,519,375
United States	-	647
Rest of Europe	393,374	377,121
Rest of World	42,907	360,983
	<u>2,081,753</u>	<u>2,258,126</u>



# A K STEEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2007

3 Operating profit	2007 £	2006 £
Operating profit is stated after charging:		
Loss on foreign exchange transactions	10,292	4,003
Operating lease rentals		
- Plant and machinery	10,147	9,643
- Other assets	18,034	14,189
Auditors' remuneration:		
- Fees payable to the company's auditors for the audit of the company's annual accounts	18,000	14,500
- Non audit fees: tax services	2,500	15,000
	<u>2,500</u>	<u>15,000</u>
4 Interest receivable and similar income	2007 £	2006 £
Bank interest	82	577
Foreign exchange gains	1,976	36,957
	<u>2,058</u>	<u>37,534</u>
5 Interest payable	2007 £	2006 £
Interest on amounts payable to group companies	9,441	14,713
Foreign exchange losses	11,868	3,666
	<u>21,309</u>	<u>18,379</u>

# A K STEEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2007

6	Taxation	2007	2006
		£	£
	<b>Domestic current year tax</b>		
	U.K. corporation tax	55,885	75,304
	<b>Current tax charge</b>	<u>55,885</u>	<u>75,304</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	<u>143,051</u>	<u>242,608</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 - 30.00%)	<u>42,915</u>	<u>72,782</u>
	Effects of:		
	Non deductible expenses	-	878
	Capital allowances	-	(314)
	Pension fund timing differences	12,600	-
	Other tax adjustments	370	1,958
		<u>12,970</u>	<u>2,522</u>
	<b>Current tax charge</b>	<u>55,885</u>	<u>75,304</u>
7	Dividends	2007	2006
		£	£
	Ordinary interim paid	<u>-</u>	<u>85,665</u>
8	Stocks	2007	2006
		£	£
	Finished goods and goods for resale	<u>356,089</u>	<u>436,508</u>

# A K STEEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2007

9 Debtors: amounts receivable within one year	2007	2006
	£	£
Trade debtors	567,399	583,550
Amounts owed by parent and fellow subsidiary undertakings	22,505	271,399
Prepayments and accrued income	16,616	21,342
	<u>606,520</u>	<u>876,291</u>
10 Creditors: amounts falling due within one year	2007	2006
	£	£
Trade creditors	32,037	14,071
Amounts owed to parent and fellow subsidiary undertakings	42,196	420,742
Corporation tax	63,387	79,242
Other taxes and social security costs	114,993	93,544
Other creditors	1,002	-
Accruals and deferred income	99,950	92,062
	<u>353,565</u>	<u>699,661</u>



# A K STEEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2007

### 11 Pension costs

#### Defined contribution

	2007 £	2006 £
Contributions payable by the company for the year	<u>1,833</u>	<u>-</u>

#### Defined benefit

The company operates a defined benefit pension scheme. The most recent full actuarial valuation was on 2 July 2008 and was carried out by a qualified independent actuary.

#### The major assumptions used by the actuary were:

	2007 %	2006 %	2005 %
Rate of increase in salaries	4.40	4.20	4.75
Rate of increase in pensions payment	3.40	3.20	2.75
Discount rate	6.20	5.00	4.90
Inflation assumption	<u>3.40</u>	<u>3.20</u>	<u>2.75</u>

#### The long term expected rates of return are as follows:

	2007 %	2006 %	2005 %
Equities	8.00	7.00	4.70
Bonds	6.20	5.00	3.20
Property	8.00	7.00	4.20
Other assets	<u>5.75</u>	<u>5.00</u>	<u>3.50</u>

# A K STEEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2007

### 11 Pension costs

(continued)

The assets in the scheme are as follows:

	2007 £	2006 £	2005 £
Equities	968,000	1,195,000	946,000
Bonds	84,000	89,000	47,000
Property	-	-	16,000
Other assets	709,000	1,007,000	1,177,000
Total market value of assets	1,761,000	2,291,000	2,186,000
Present value of scheme liabilities	1,538,000	2,314,000	2,340,000
Surplus in scheme	223,000	(23,000)	(154,000)
Net pension asset	223,000	(23,000)	(154,000)

Analysis of the amount charged to operating profit:

	2007 £	2006 £
Current Service Cost	(79,000)	(110,000)
Total Operating Charge	(79,000)	(110,000)

Analysis of the amount credited to other finance income:

	2007 £	2006 £
Expected return on pension scheme assets	126,000	103,000
Interest on pension scheme liabilities	(115,000)	(114,000)
Net Return	11,000	(11,000)

# A K STEEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2007

### 11 Pension costs

(continued)

#### Analysis of amount recognised in the statement of total recognised gains and losses:

	2007 £	2006 £
Actual return less expected return on pension scheme assets	65,000	1,000
Experience gains and losses arising on scheme liabilities	8,000	198,000
Changes in assumptions underlying the present value of the scheme liabilities	215,000	(85,000)
	<u>288,000</u>	<u>114,000</u>
Actual gain recognised in the statement of total recognised gains and losses	<u>288,000</u>	<u>114,000</u>

#### Movement in surplus during the year:

	2007 £	2006 £
Deficit in scheme at 01 December 2006	(23,000)	(154,000)
Operating charge	(79,000)	(110,000)
Other finance income	11,000	(11,000)
Contributions made	26,000	138,000
Actuarial gains	288,000	114,000
	<u>223,000</u>	<u>(23,000)</u>
Deficit in scheme at 30 November 2007	<u>223,000</u>	<u>(23,000)</u>



# A K STEEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2007

### 11 Pension costs

(continued)

#### History of experience gains and losses:

	2007 £	2006 £	2005 £
Difference between the expected and actual return on scheme assets:			
Amount	65,000	1,000	-
Percentage of scheme assets	3.69%	0.04%	-
Experience gains and losses on scheme liabilities:			
Amount	8,000	198,000	-
Percentage of the present value of the scheme liabilities	0.52%	8.56%	-
Total amount recognised in statement of recognised gains and losses:			
Amount	288,000	114,000	45,000
Percentage of the present value of scheme liabilities	18.73%	4.93%	1.92%

### 12 Share capital

	2007 £	2006 £
<b>Authorised</b>		
500,000 Ordinary shares of £1 each	500,000	500,000
<b>Allotted, called up and fully paid</b>		
455,000 Ordinary shares of £1 each	455,000	455,000

### 13 Statement of movements on profit and loss account

	£
Balance at 1 December 2006	202,115
Profit for the year	87,166
Actuarial gains or losses on pension scheme assets	288,000
Balance at 30 November 2007	577,281

# A K STEEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2007

<b>14 Reconciliation of movements in shareholders' funds</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	87,166	167,304
Dividends (note 7)	-	(85,665)
	<u>87,166</u>	<u>81,639</u>
Other recognised gains and losses	288,000	114,000
	<u>375,166</u>	<u>195,639</u>
Net addition to shareholders' funds	657,115	461,476
Opening shareholders' funds	<u>1,032,281</u>	<u>657,115</u>
Closing shareholders' funds	<u>1,032,281</u>	<u>657,115</u>

### 15 Financial commitments

At 30 November 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 30 November 2008:

	<b>Land and buildings</b>			
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>Other</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>2006</b>
				<b>£</b>
Operating leases which expire:				
Between two and five years	-	-	25,700	12,630
In over five years	9,120	-	-	-
	<u>9,120</u>	<u>-</u>	<u>25,700</u>	<u>12,630</u>

<b>16 Directors' emoluments</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Emoluments for qualifying services	<u>78,614</u>	<u>71,173</u>

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 0 (2006 - 1).

Included in the above are benefits in kind of £nil (2006 - £9,632).



## A K STEEL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2007

#### 17 Employees

##### Number of employees

The average monthly number of employees (including directors) during the year was:

	2007 Number	2006 Number
Administration staff	5	6
Employment costs	2007 £	2006 £
Wages and salaries	175,465	143,105
Social security costs	26,989	28,006
Other pension costs	69,833	38,008
	272,287	209,119

#### 18 Control

The company was controlled throughout the financial period by the directors. The company's ultimate parent undertaking is AK Steel Holding Corporation, a company incorporated in the United States of America.

#### 19 Related party transactions

AK Steel Limited have taken advantage of the FRS 8 exemption to disclose inter-group transactions and balances as they are a 100% subsidiary. AK Steel Holding Corporation has included the company in its group accounts, copies of which are available from its principal office at 703 Curtis Street, Middletown, Ohio 45043 0001, United States of America.

The immediate holding company is AK Steel International Limited and its accounts are available from its registered office at Hamlyns, Lewes Road, Scaynes Hill, Haywards Heath, West Sussex RH17 7NG.