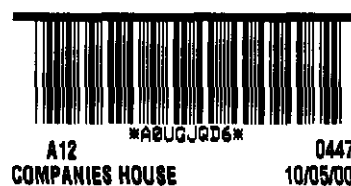


**AK STEEL LIMITED (FORMERLY  
ARMCO LIMITED)**



**DIRECTORS' REPORT AND  
ACCOUNTS**

**FOR THE YEAR ENDED  
31ST OCTOBER 1999**

**AK STEEL LIMITED (FORMERLY ARMCO LIMITED)**

**COMPANY INFORMATION**

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<b>Directors</b>	Mr H Schneider Mr B D Green Mr B D H Cooper Mr J R Scarborough Mr P C Walker
<b>Secretary</b>	Mr B D H Cooper
<b>Company Number</b>	932617
<b>Registered Office</b>	18A South Road Haywards Heath West Sussex RH16 4LA
<b>Auditors</b>	Watts Knowles 121/123 Norton Way South Letchworth Herts SG6 1NZ
<b>Bankers</b>	Midland Bank plc Station Place Letchworth Herts SG6 3AJ

**AK STEEL LIMITED (FORMERLY ARMCO LIMITED)**

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## **AK STEEL LIMITED (FORMERLY ARMCO LIMITED)**

### **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31ST OCTOBER 1999**

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The directors present their report together with the audited accounts for the year ended 31st October 1999.

#### **Principal Activities and Review of Business**

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

Pursuant to a Special Resolution adopted at an Extraordinary General Meeting of the company, the name of the company was changed to AK Steel Limited on 10th March 2000.

#### **Dividends**

A dividend of £83,396 was paid in the year.

#### **Directors**

The directors who served during the year were:

Mr H Schneider	
Mr B D Green	
Mr B D H Cooper	
Mr J R Scarborough	(appointed 4.2.99)
Mr N H Walker	(resigned 31.12.98)
Mr P C Walker	(appointed 28.1.99)

None of the directors has any beneficial interest in the shares of the company. The interests of the directors in the shares of the ultimate holding company are not reported, since disclosure is exempted under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985.

#### **Date Recognition**

As discussed at length in the media, many computer systems and microchips may encounter date recognition problems, including those yet to emerge from the changeover to the Year 2000. Our business depends on a computerised accounting system to prepare the accounts and record transactions, as well as to control stock. In addition, we could be affected by systems failures of our suppliers and customers. As a result we could be at risk if other parties do not deal adequately with such date recognition problems.

It is impossible to guarantee that no date recognition problems will remain. However, the directors believe that the company will be able to deal promptly with any failures that might occur.

**AK STEEL LIMITED (FORMERLY ARMCO LIMITED)**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31ST OCTOBER 1999**

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**Directors' Responsibilities**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of the company's affairs and of the profit or loss for that year. In preparing these accounts the directors are required to:

Select suitable accounting policies and then apply them consistently;

Make judgements and estimates that are reasonable and prudent;

Follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;

Prepare the accounts 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 enable them to ensure that the accounts 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 fraud and other irregularities.

This report was approved by the board on 27th April, 2000, and signed on its behalf.

*Brand H Coape*

Secretary

**AUDITORS' REPORT TO THE  
SHAREHOLDERS OF AK STEEL LIMITED (FORMERLY ARMCO LIMITED)**

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We have audited the accounts on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

**Respective Responsibilities of Directors and Auditors**

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and report our opinion to you.

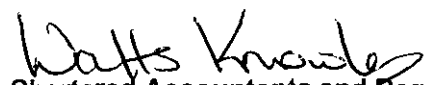
**Basis of Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 the information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st October 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors  
121/123 Norton Way South  
Letchworth  
Herts  
SG6 1NZ

Date: 5<sup>th</sup> May 2000.

**AK STEEL LIMITED (FORMERLY ARMCO LIMITED)****PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31ST OCTOBER 1999**

	<b>Notes</b>	<b>1999 £</b>	<b>1998 £</b>
<b>Turnover</b>	<b>2</b>	<b>2,433,832</b>	<b>2,692,977</b>
Cost of sales		<b>2,016,838</b>	<b>2,188,806</b>
<b>Gross Profit</b>		<b>416,994</b>	<b>504,171</b>
Admin.strative expenses		<b>390,257</b>	<b>437,582</b>
		<b>26,737</b>	<b>66,589</b>
Other operating income		<b>51,935</b>	<b>106,084</b>
<b>Operating Profit</b>	<b>3</b>	<b>78,672</b>	<b>172,673</b>
Interest receivable		<b>2,718</b>	<b>7,709</b>
Interest payable and similar charges	<b>4</b>	<b>(43,020)</b>	<b>(4,209)</b>
<b>Profit on Ordinary Activities before Taxation</b>		<b>38,370</b>	<b>176,173</b>
Tax on profit on ordinary activities	<b>7</b>	<b>14,463</b>	<b>60,630</b>
<b>Profit for the Financial Year</b>	<b>14</b>	<b>23,907</b>	<b>115,543</b>

All amounts relate to continuing activities.

**AK STEEL LIMITED (FORMERLY ARMCO LIMITED)****BALANCE SHEET**

AS AT 31ST OCTOBER 1999

	Notes	£	1999 £	£	1998 £
<b>Fixed Assets</b>					
Tangible assets			1		1
<b>Current Assets</b>					
Stocks	9	738,793		532,551	
Debtors	10	682,985		824,776	
Cash at bank and in hand		133,265		394,531	
		<u>1,555,043</u>		<u>1,751,858</u>	
<b>Creditors: Amounts Falling Due Within One Year</b>	11	<u>1,053,160</u>		<u>1,173,882</u>	
<b>Net Current Assets</b>			<b>501,883</b>		<b>577,976</b>
<b>Total Assets Less Current Liabilities</b>			<b>501,884</b>		<b>577,977</b>
<b>Capital and Reserves</b>					
Share capital	13		455,000		455,000
Profit and loss account	14		46,884		122,977
<b>Shareholders' Funds</b>			<b>501,884</b>		<b>577,977</b>

These accounts were approved by the board on 27th April, 2000 and signed on its behalf.

Director





**AK STEEL LIMITED (FORMERLY ARMCO LIMITED)****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST OCTOBER 1999****1 Accounting Policies****Basis of Accounting**

The accounts have been prepared under the historical cost convention.

The company has taken advantage of the exemptions in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary.

**Turnover**

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding value added tax and trade discounts.

**Stocks**

Stocks are stated at the lower of cost and net realisable value.

**Foreign Currencies**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Where exchange differences result from the translation of foreign currency borrowings raised to acquire foreign assets they are taken to reserves and offset against the differences arising from the translation of those assets. All other exchange differences are dealt with through the Profit and Loss Account.

**Contribution to Pension Funds**

The pension costs charged against profits represent the amount of the contributions payable to the defined benefit scheme in respect of the accounting period.

**2 Turnover**

The geographical analysis of turnover is as follows:

	1999	1998
	£	£
Europe	271,115	265,248
Far East	231,583	264,876
United Kingdom	1,931,134	2,162,853
	<u>2,433,832</u>	<u>2,692,977</u>

**3 Operating Profit**

*The operating profit is stated after charging:*

	1999	1998
	£	£
Depreciation of tangible fixed assets	-	5,224
Hire of vehicles and equipment	20,902	23,512
Auditors' remuneration	8,000	8,000
	<u>28,902</u>	<u>36,736</u>

**AK STEEL LIMITED (FORMERLY ARMCO LIMITED)****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST OCTOBER 1999****4 Interest Payable and Similar Charges**

	1999	1998
	£	£
Other interest	43,020	4,209

**5 Directors and Employees**

Staff costs, including directors' remuneration, were as follows:

	1999	1998
	£	£
Wages and salaries	125,767	109,483
Social security costs	11,868	11,380
Other pension costs	22,439	23,192
Other costs	15,256	46,936
	175,330	190,991

The average monthly number of employees, including directors, during the year was as follows:

	1999	1998
	Number	Number
Administration	1	1
Selling and Distribution	3	3
	4	4

Directors' emoluments:

	1999	1998
	£	£
Emoluments	80,764	80,408

**AK STEEL LIMITED (FORMERLY ARMCO LIMITED)****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST OCTOBER 1999****6 Pension Scheme**

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with Legal & General Assurance (Pensions Management) Limited. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the Attained Age method. The most recent valuation was at 6th April 1999 and those results are reported in this note.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 6.75% per annum compound, that salary increases would average 4% per annum for general salary increases plus 0.5% per annum for promotional increases and future pensions would increase at the rate prescribed by law.

The valuation showed that the market value of the schemes assets was £1,726,000 and that the actuarial value of those assets represented 110% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The method and assumptions used in calculating contribution rates to the scheme are identical to those used for calculating the accounting cost. Consequently, no prepayment or provision in the balance sheet on account of pensions is required.

The total contributions paid in the year amounted to £22,439 (1998 £6,118). These contributions include amounts in respect of one director.

<b>7 Taxation</b>	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Based on the profit for the year:		
UK corporation tax at 30.4% (1998 31%)	5,316	61,550
Group relief	7,684	-
Under/(over)provision in prior periods	1,463	(920)
	<b>14,463</b>	<b>60,630</b>

## AK STEEL LIMITED (FORMERLY ARMCO LIMITED)

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST OCTOBER 1999

## 8 Tangible Fixed Assets

	Plant and machinery £	Total £
<b>Cost</b>		
At 1st November 1998	32,357	32,357
Disposals	(15,426)	(15,426)
<b>At 31st October 1999</b>	<b>16,931</b>	<b>16,931</b>
<b>Depreciation</b>		
At 1st November 1998	32,356	32,356
On disposals	(15,426)	(15,426)
<b>At 31st October 1999</b>	<b>16,930</b>	<b>16,930</b>
<b>Net Book Value</b>		
<b>At 31st October 1999</b>	<b>1</b>	<b>1</b>
<i>At 31st October 1998</i>	<i>1</i>	<i>1</i>

## 9 Stocks

	1999 £	1998 £
Goods for resale	738,793	532,551

## 10 Debtors

	1999 £	1998 £
Trade debtors	638,079	775,154
Amounts owed by group undertakings	15,345	35,089
Other debtors	11,682	(713)
Prepayments and accrued income	17,879	15,246
	<b>682,985</b>	<b>824,776</b>

## 11 Creditors: Amounts Falling Due Within One Year

	1999 £	1998 £
Bank loans and overdrafts	2,906	-
Trade creditors	70,929	46,316
Amounts owed to group undertakings	870,575	901,169
Corporation tax	13,000	61,550
Other taxes and social security	70,170	111,597
Accruals and deferred income	25,580	53,250
	<b>1,053,160</b>	<b>1,173,882</b>

**AK STEEL LIMITED (FORMERLY ARMCO LIMITED)****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST OCTOBER 1999****12 Operating Lease Commitments**

At 31 October 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	1999 £	1998 £
Operating leases which expire:		
Within one year	-	5,586
Between two and five years	14,267	9,080
	<u>14,267</u>	<u>14,666</u>

**13 Share Capital**

**Authorised  
Equity Shares**

500,000 Ordinary shares of £1.00 each

1999 £	1998 £
500,000	500,000

**Allotted**

**Equity Shares**

455,000 Allotted, called up and fully paid ordinary shares of £1.00 each

455,000	455,000
---------	---------

**14 Reserves**

	Profit and Loss Account £
At 1st November 1997	507,434
Profit for the year	115,543
Dividends	(500,000)
At 1st November 1998	122,977
Profit for the year	23,907
Dividends	(100,000)
At 31st October 1999	<u>46,884</u>

**AK STEEL LIMITED (FORMERLY ARMCO LIMITED)**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31ST OCTOBER 1999**

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**15 Related Parties**

The company's ultimate parent undertaking is AK Steel Holding Corporation, a company incorporated in the United States of America. The ultimate parent undertaking changed in September 1999 following the acquisition of Armco Holding Company. AK Steel Inc 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 has changed its name to AK Steel (Europe) Limited and its accounts are available from its registered office at 18A South Road, Haywards Heath, West Sussex RH16 4LA.

Amounts owed by and to group companies are shown in notes 10 and 11 respectively. Included in amounts owed to group companies is a loan for £550,000 with no set repayment date. Interest is charged at 2.5% over bank rate.

During the year AK Steel Limited entered into various transactions with other group companies. These were on commercial trading terms and at arms length.