

A K STEEL LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 NOVEMBER 2004



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

A K STEEL LIMITED

COMPANY INFORMATION

Directors

B D H Cooper
T Ender
P Stigter (Appointed 9 April 2004)

Secretary

B D H Cooper

Company number

932617

Registered office

Hamlyns, Lewes Road
Scaynes Hill, Haywards Heath
West Sussex
RH17 7NG

Auditors

The Old Meeting House
Meeting House Lane
Baldock
Herts
SG7 5BP

Bankers

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

A K STEEL LIMITED

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A K STEEL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 NOVEMBER 2004

The directors present their report and financial statements for the year ended 30 November 2004.

Principal activities and review of the business

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.

Results and dividends

The results for the year are set out on page 4.

Directors

The following directors have held office since 1 December 2003:

B D H Cooper

T Ender

H Schneider

(Resigned 30 November 2005)

P Stigter

(Appointed 9 April 2004)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	30 November 2004	1 December 2003
B D H Cooper	-	-
T Ender	-	-
H Schneider	-	-
P Stigter	-	-

The interests of the directors in the shares of the ultimate holding company are not reported, since the disclosure is exempt under the Companies (Disclosure of Directors' Interests)(Exceptions) Regulations 1985.

Auditors

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

A K STEEL LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2004

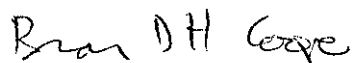
Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those 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;
- 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 fraud and other irregularities.

On behalf of the board



B D H Cooper

Secretary

20 December, 2005

A K STEEL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF A K STEEL LIMITED

We have audited the financial statements of A K Steel Limited on pages 5 to 8 for the year ended 30 November 2004. These financial statements have been prepared under the historical cost convention and 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 Companies 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 auditor's 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

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.


Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 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.

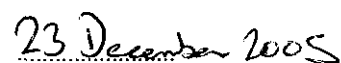
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 November 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



WKH
Chartered Accountants
Registered Auditor



The Old Meeting House
Meeting House Lane
Baldock
Herts SG7 5BP

A K STEEL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 NOVEMBER 2004

	Notes	2004 £	2003 £
Turnover	2	10,513,795	7,487,830
Cost of sales		(9,923,481)	(7,047,887)
Gross profit		590,314	439,943
Administrative expenses		(416,605)	(330,784)
Other operating income		4,577	4,184
Operating profit	3	178,286	113,343
Other interest receivable and similar income		579	359
Interest payable and similar charges	4	(29,305)	(46,500)
Profit on ordinary activities before taxation		149,560	67,202
Tax on profit on ordinary activities	5	(38,651)	(21,503)
Profit on ordinary activities after taxation		110,909	45,699
Dividends	6	(43,410)	(127,205)
Retained profit/(loss) for the year	13	67,499	(81,506)

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

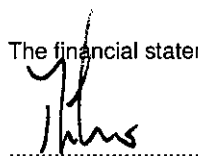
There are no recognised gains and losses other than those passing through the profit and loss account.

A K STEEL LIMITED

BALANCE SHEET AS AT 30 NOVEMBER 2004

	Notes	2004		2003	
		£	£	£	£
Current assets					
Stocks	8	646,751		584,295	
Debtors	9	2,706,850		2,323,124	
Cash at bank and in hand		1,467,433		584,739	
		<u>4,821,034</u>		<u>3,492,158</u>	
Creditors: amounts falling due within one year	10	(4,206,244)		(2,944,867)	
Total assets less current liabilities			<u>614,790</u>		<u>547,291</u>
Capital and reserves					
Called up share capital	12		455,000		455,000
Profit and loss account	13		159,790		92,291
Shareholders' funds - equity	14		<u>614,790</u>		<u>547,291</u>

The financial statements were approved by the Board on 20 December, 2005



T Ender
Director

A K STEEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2004

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 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	33% straight line
Fixtures, fittings & equipment	33% straight line

1.4 Stock

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

1.5 Pensions

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.6 Deferred taxation

Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the company's accounts. Deferred tax is provided in full on timing differences that result in an obligation to pay more (or less) tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws.

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.

A K STEEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2004

2 Turnover

Geographical market

	Turnover	
	2004	2003
	£	£
United Kingdom	9,031,879	7,044,406
United States	470,381	146,783
Europe	105,368	67,250
Other	905,447	(229,391)
	<u>10,513,075</u>	<u>7,029,048</u>

3 Operating profit

	2004	2003
	£	£
Operating profit is stated after charging:		
Loss on foreign exchange transactions	16,490	-
Auditors' remuneration	9,000	8,750
and after crediting:		
Profit on foreign exchange transactions	-	(22,683)
	<u>-</u>	<u>(22,683)</u>

4 Interest payable

	2004	2003
	£	£
On amounts payable to group companies	29,305	46,174
Other interest	-	326
	<u>29,305</u>	<u>46,500</u>

A K STEEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2004

5	Taxation	2004	2003	
		£	£	
	Domestic current year tax			
	U.K. corporation tax	46,466	21,503	
	Adjustment for prior years	(7,815)	-	
	Current tax charge	38,651	21,503	
	Factors affecting the tax charge for the year			
	Profit on ordinary activities before taxation	149,560	67,202	
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	44,868	20,161	
	Effects of:			
	Non deductible expenses	4,676	1,685	
	Capital allowances	(1,030)	(116)	
	Adjustments to previous periods	(7,815)	-	
	Other tax adjustments	(2,048)	(227)	
		(6,217)	1,342	
	Current tax charge	38,651	21,503	
6	Dividends	2004	2003	
		£	£	
	Ordinary interim paid	43,410	127,205	
7	Tangible fixed assets			
		Plant and machinery	Fixtures, fittings & equipment	Total
		£	£	£
	Cost			
	At 1 December 2003 & at 30 November 2004	2,830	14,101	16,931
	Depreciation			
	At 1 December 2003 & at 30 November 2004	2,830	14,101	16,931
	Net book value			
	At 30 November 2004	-	-	-

A K STEEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2004

8	Stocks	2004	2003
		£	£
	Finished goods and goods for resale	646,751	584,295
		<u> </u>	<u> </u>
9	Debtors	2004	2003
		£	£
	Trade debtors	2,627,721	2,281,896
	Amounts owed by subsidiary undertakings	56,817	22,700
	Other debtors	359	(1,273)
	Prepayments and accrued income	21,953	19,801
		<u> </u>	<u> </u>
		2,706,850	2,323,124
		<u> </u>	<u> </u>
10	Creditors: amounts falling due within one year	2004	2003
		£	£
	Trade creditors	93,861	16,149
	Amounts owed to parent and fellow subsidiary undertakings	3,983,006	2,828,151
	Corporation tax	47,506	30,944
	Other taxes and social security costs	30,204	27,858
	Accruals and deferred income	51,667	41,765
		<u> </u>	<u> </u>
		4,206,244	2,944,867
		<u> </u>	<u> </u>

A K STEEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2004

11 Pension Costs

Defined benefit

The company operates a defined benefit pension scheme under which all employees are eligible. The AK Steel & GST (UK) Pension Plan ("the Plan") is funded by contributions from the company.

A full actuarial valuation of the Plan was performed at 6 April 2002. This used the attained age method and assumed a financial yield up to retirement of 7.25% per annum net of expenses, a financial yield after retirement of 5.25% per annum net, salary increases of 4.25% per annum, price inflation of 2.75% and limited price indexation of 2.75%. The market value of assets at the date of valuation was £1,509,000 which was 126% of the scheme's liabilities. The employer's contribution rate for future service has been agreed at 17.5% of pensionable pay, with employees' rate in addition of 5.00%.

The company has continued to account for pensions in accordance with SSAP 24. Financial Reporting Standard 17 ("FRS 17"), Retirement Benefits, was issued in November 2000 but it will not be mandatory for the company to comply with FRS 17 until the end of the financial year in 2005.

Phased transitional disclosures, however, are required from 2002 onwards and these, to the extent not covered above, are provided below.

The actuarial valuation carried out as at 6 April 2002 has been updated to 30 November 2004, in accordance with the advice of a qualified independent actuary.

	2004 %	2003 %	2002 %	2001 %
The main financial assumptions are as follows:				
Rate of increase in salaries	4.75	4.75	4.35	4.25
Rate of increase in pensions in payment	2.75	2.75	2.35	2.25
Rate of increase in pensions in deferment	2.75	2.75	2.35	2.25
Discount rate	5.30	5.75	5.60	5.50
Inflation assumption	2.75	2.75	2.35	2.25
The long term expected rates of return are as follows:				
Equities	5.10	5.50	5.25	5.00
Bonds	3.60	4.00	3.75	3.50
Property	4.60	5.00	4.75	4.50
Insured pensions	5.30	5.60	5.75	5.50
Other assets	3.75	3.50	3.25	3.00

A K STEEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2004

11 Pension costs

(continued)

	2004 £	2003 £	2002 £	2001 £
The assets in the scheme are as follows:				
(i) Legal and General managed fund units				
Equity units	789,000	785,000	737,000	945,000
Bond units	58,000	64,000	52,000	41,000
Property units	24,000	19,000	28,000	25,000
(ii) Insured pensions	1,084,000	1,080,000	1,043,000	432,000
(iii) Other assets	21,000	14,000	15,000	26,000
	<u>1,976,000</u>	<u>1,962,000</u>	<u>1,875,000</u>	<u>1,469,000</u>
Present value of scheme liabilities	(2,154,000)	(1,990,000)	(1,892,000)	(1,451,000)
Deficit/surplus in scheme	<u>(178,000)</u>	<u>(28,000)</u>	<u>(17,000)</u>	<u>18,000</u>
Net pension liability/asset	<u>(178,000)</u>	<u>(28,000)</u>	<u>(17,000)</u>	<u>18,000</u>

Analysis of the amount charged to operating profit

	2004 £	2003 £
Current service cost	33,000	27,000
Past service cost	-	-
Total operating charge	<u>33,000</u>	<u>27,000</u>

Analysis of net return on pension scheme

	2004 £	2003 £
Expected return on pension scheme assets	106,000	101,000
Interest on pension liabilities	(110,000)	(106,000)
Net return	<u>(4,000)</u>	<u>(5,000)</u>

Analysis of net amount which would be recognised in statement of total recognised gains and losses (STRGL)

	2004 £	2003 £
Actual return less expected return on assets	(40,000)	43,000
Experience gains and losses on liabilities	(2,000)	93,000
Changes in assumptions	(100,000)	(141,000)
Actuarial gain/(loss) recognised in STRGL	<u>(142,000)</u>	<u>(5,000)</u>
Adjustment due to surplus cap	-	-
Net gain/(loss) recognised	<u>(142,000)</u>	<u>(5,000)</u>

A K STEEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2004

11 Pension costs

(continued)

Movement in surplus/deficit during the year	2004 £	2003 £
Deficit in scheme at the beginning of the year	(28,000)	(17,000)
Current service cost	(33,000)	(25,000)
Contributions	29,000	26,000
Past service costs	-	-
Net return on assets/(interest costs)	(4,000)	(5,000)
Actuarial gain/(loss)	(142,000)	(5,000)
Deficit in scheme at 30 November 2004	(178,000)	(28,000)

History of experience gains and losses	2004	2003
Difference between expected and actual return on scheme assets: amount in £'s	(40,000)	43,000
Difference between expected and actual return on scheme assets: percentage of scheme assets	(2)%	2.2%
Experience gains and losses on scheme liabilities: amount in £'s	(2,000)	93,000
percentage of scheme liabilities	(0.1)%	4.7%
Total amount recognised in statement of total recognised gains and losses: amount in £'s	(142,000)	(5,000)
percentage of scheme liabilities	(6.6)%	(0.3)%

Company contributions paid during the year amounted to £28,846 (2003 - £25,743).

12 Share capital

	2004 £	2003 £
Authorised		
500,000 Ordinary shares of £1 each	500,000	500,000
Allotted, called up and fully paid		
455,000 Ordinary shares of £1 each	455,000	455,000

A K STEEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2004

13 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 December 2003	92,291
Retained profit for the year	67,499
	<hr/>
Balance at 30 November 2004	159,790
	<hr/>

14 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit for the financial year	110,909	45,699
Dividends	(43,410)	(127,205)
	<hr/>	<hr/>
Net addition to/(depletion in) shareholders' funds	67,499	(81,506)
Opening shareholders' funds	547,291	628,797
	<hr/>	<hr/>
Closing shareholders' funds	614,790	547,291
	<hr/>	<hr/>

15 Financial commitments

At 30 November 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2004 £	2003 £	2004 £	2003 £
Expiry date:				
Within one year	-	-	13,205	7,887
Between two and five years	7,450	7,450	-	1,585
	<hr/>	<hr/>	<hr/>	<hr/>
	7,450	7,450	13,205	9,472
	<hr/>	<hr/>	<hr/>	<hr/>

16 Directors' emoluments

	2004 £	2003 £
Emoluments for qualifying services	56,119	59,632
	<hr/>	<hr/>

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 1 (2003- 1).

A K STEEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2004

17 Employees

Number of employees

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

	2004 Number	2003 Number
Administration staff	6	5

Employment costs

	£	£
Wages and salaries	152,130	123,544
Social security costs	13,654	12,005
Other pension costs	28,846	23,167

	194,630	158,716

18 Related party transactions

The company's ultimate parent undertaking is AK Steel Holding Corporation, a company incorporated in the United States of America. 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.