

**AK STEEL LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 NOVEMBER 2001**



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

# AK STEEL LIMITED

## COMPANY INFORMATION

---

Directors	H Schneider B D H Cooper J R Scarborough T Ender (Appointed 1 November 2000)
Secretary	B D H Cooper
Company number	932617
Registered office	18A South Road Haywards Heath West Sussex RH16 4LA
Auditors	WKH The Old Meeting House Meeting House Lane Baldock, Herts SG7 5BP
Bankers	HSBC Bank Plc Station Place Letchworth Herts SG6 3AJ

---

# AK STEEL LIMITED

## CONTENTS

---

	Page
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 11

---

# AK STEEL LIMITED

## DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 NOVEMBER 2001

---

The directors present their report and financial statements for the period ended 30 November 2001.

### 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 since 1 November 2000:

H Schneider	
B D H Cooper	
J R Scarborough	
T Ender	(Appointed 1 November 2000)
R A Gant	(Appointed 21 November 2000 and resigned 13 August 2001)
B D Green	(Resigned 21 November 2000)
P C Walker	(Resigned 27 March 2001)
D R Wist	(Appointed 9 May 2001 and resigned 2 November 2001)

### Directors' interests

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

	Ordinary shares of £ 1 each	
	30 November 2001	1 November 2000
H Schneider	-	-
B D H Cooper	-	-
J R Scarborough	-	-
T Ender	-	-

None of the directors have a 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 exempt under the Companies (Disclosure of Directors' Interests)(Exceptions) Regulations 1985.

### Charitable contributions

During the period the company made charitable donations of £250 (2000 : £0).

# AK STEEL LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 30 NOVEMBER 2001

---

### Directors' responsibilities

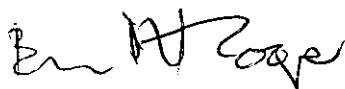
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board



B D H Cooper

Director

11 June 2002

# AK STEEL LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AK STEEL LIMITED

We have audited the financial statements of AK Steel Limited on pages 4 to 11 for the period ended 30 November 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

### **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 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

WKH

WKH

**Chartered Accountants  
Registered Auditor**

11 June 2002

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

# AK STEEL LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 NOVEMBER 2001

		Period ended 30 November 2001 £	31 October 2000 £
	Notes		
Turnover	2	2,185,323	1,919,510
Cost of sales		(1,662,307)	(1,472,394)
<b>Gross profit</b>		<u>523,016</u>	<u>447,116</u>
Administrative expenses		(384,545)	(399,940)
Other operating income		135,573	55,312
<b>Operating profit</b>	3	<u>274,044</u>	<u>102,488</u>
Other interest receivable and similar income		587	408
Interest payable and similar charges	4	(48,343)	(40,909)
<b>Profit on ordinary activities before taxation</b>		<u>226,288</u>	<u>61,987</u>
Tax on profit on ordinary activities	5	(71,464)	(19,939)
<b>Profit on ordinary activities after taxation</b>		<u>154,824</u>	<u>42,048</u>
Dividends		-	(58,000)
<b>Retained profit/(loss) for the period</b>	11	<u><u>154,824</u></u>	<u><u>(15,952)</u></u>

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.

# AK STEEL LIMITED

## BALANCE SHEET AS AT 30 NOVEMBER 2001

	Notes	2001 £	£	2000 £	£
<b>Current assets</b>					
Stocks		734,438		498,214	
Debtors	7	846,304		666,865	
Cash at bank and in hand		227,083		63,192	
		<u>1,807,825</u>		<u>1,228,271</u>	
<b>Creditors: amounts falling due within one year</b>	8	<u>(1,167,070)</u>		<u>(742,340)</u>	
<b>Total assets less current liabilities</b>			<u>640,755</u>		<u>485,931</u>
<b>Capital and reserves</b>					
Called up share capital	10		455,000		455,000
Profit and loss account	11		185,755		30,931
<b>Shareholders' funds - equity interests</b>	12		<u>640,755</u>		<u>485,931</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 11 June 2002



T Ender  
Director



# AK STEEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 2001

---

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

#### 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 Leasing

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

#### 1.5 Stock

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

#### 1.6 Pensions

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

#### 1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

#### 1.8 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. 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 differences are taken to profit and loss account.

### 2 Turnover

In the period to 30 November 2001 23.70% (2000 - 37.30%) of the company's turnover was to markets outside the United Kingdom.

# AK STEEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 NOVEMBER 2001

<b>3 Operating profit</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Operating profit is stated after charging:		
Operating lease rentals	12,987	19,230
Auditors' remuneration	8,000	9,000
Directors' emoluments	44,925	68,443
	<u>          </u>	<u>          </u>

Included in directors' emoluments is £4,227 (2001 £4,881) relating to benefits in kind and £6,062 (2001 £5,446) relating to pension contributions.

<b>4 Interest payable</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
On amounts payable to group companies	48,343	40,522
	<u>          </u>	<u>          </u>

<b>5 Taxation</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
<b>Domestic current year taxation</b>		
U.K. corporation tax	19,882	19,939
Payment in respect of group relief	51,582	-
	<u>          </u>	<u>          </u>
	71,464	19,939
	<u>          </u>	<u>          </u>

<b>6 Tangible fixed assets</b>	<b>Plant and machinery etc</b>
	<b>£</b>
<b>Cost</b>	
At 1 November 2000 & at 30 November 2001	16,931
	<u>          </u>
<b>Depreciation</b>	
At 1 November 2000 & at 30 November 2001	16,931
	<u>          </u>
<b>Net book value</b>	
At 30 November 2001 and at 30 November 2000	-
	<u>          </u>

# AK STEEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 NOVEMBER 2001

7	Debtors	2001 £	2000 £
	Trade debtors	736,342	597,950
	Amounts owed by group companies	81,861	49,266
	Other debtors	28,101	19,649
		<u>846,304</u>	<u>666,865</u>
8	Creditors: amounts falling due within one year	2001 £	2000 £
	Bank loans and overdrafts	-	2
	Trade creditors	47,905	71,043
	Amounts owed to group companies	1,036,751	530,525
	Taxation and social security	22,778	64,659
	Other creditors	59,636	76,111
		<u>1,167,070</u>	<u>742,340</u>

# AK STEEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 NOVEMBER 2001

### 9 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 5 April 1999. This used the attained age method and assumed a financial yield up to retirement of 6.75% per annum net of expenses, a financial yield after retirement of 4.75% per annum net, salary increases of 4.00% per annum, price inflation of 2.50% and limited price indexation of 2.50%. The market value of assets at the date of valuation was £1,608,000, which was 110% of the schemes liabilities. The employer's contribution rate for future service has been agreed at 17.50% of pensionable pay, with an employees' rate in addition of 5.00%.

The company has continued to account for pensions in accordance with SSAP 24. A new Financial Reporting Standard 17 ("FRS 17"), Retirement Benefits, was issued in November 2000 but it will not be mandatory for the company to fully comply with FRS 17 until the end of the financial year in 2003.

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

The actuarial valuation as at 5 April 1999 has been updated to 30 November 2001, in accordance with the advice of a qualified actuary.

	2001 £	2000 £
Contributions payable by the company for the period	18,508	23,916
		2001 %
<b>The main financial assumptions are as follows:</b>		
Rate of increase in salaries		4.25
Rate of increase in pensions in payment		2.25
Discount rate		5.50
Inflation assumption		2.25
<b>The long term expected rates of return are as follows:</b>		
Equities		5.00
Bonds		3.50
Property		4.50
Other assets		3.00

# AK STEEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 NOVEMBER 2001

### 9 Pension costs

(continued)

	2001 £
<b>The assets in the scheme are as follows:</b>	
Equities	945,000
Bonds	41,000
Property	25,000
Other assets	26,000
	<hr/>
	1,037,000
Present value of scheme liabilities	1,019,000
	<hr/>
Surplus in scheme	18,000
	<hr/>

### 10 Share capital

	2001 £	2000 £
<b>Authorised</b>		
500,000 Ordinary shares of £ 1 each	500,000	500,000
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
455,000 Ordinary shares of £ 1 each	455,000	455,000
	<hr/>	<hr/>

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

	Profit and loss account £
Balance at 1 November 2000	30,931
Retained profit for the period	154,824
	<hr/>
Balance at 30 November 2001	185,755
	<hr/>

# AK STEEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 NOVEMBER 2001

### 12 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial period	154,824	42,048
Dividends	-	(58,000)
Net addition to/(depletion in) shareholders' funds	154,824	(15,952)
Opening shareholders' funds	485,931	501,883
Closing shareholders' funds	640,755	485,931

### 13 Financial commitments

At 30 November 2001 the company had annual commitments under non-cancellable operating leases as follows:

	2001 £	2000 £
Expiry date:		
Within one year	6,457	-
Between two and five years	3,165	17,263
	9,622	17,263

### 14 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 FRS8 exemption to disclose inter - group transactions and balances as they are a 100% subsidiary. AK Steel Holding Corporation has included the company in it's 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 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 7 and 8 respectively. Included in amounts owed to group companies is a loan for £400,000 with no set repayment date. Interest is charged at 2.5% over base rate.