

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

**DIRECTORS' REPORT AND
ACCOUNTS**

**FOR THE YEAR ENDED
31ST OCTOBER 2000**



Company No. 932617

AK STEEL LIMITED (FORMERLY ARMCO LIMITED)

COMPANY INFORMATION

Directors	Mr H Schneider Mr T Ender Mr B D H Cooper Mr J R Scarborough Mr R A Gant
Secretary	Mr B D H Cooper
Company number	932617
Registered office	18A South Road Haywards Heath West Sussex RH16 4LA
Auditors	Watts Knowles The Old Meeting House Meeting House Lane Baldock Herts SG7 5BP
Bankers	HSBC 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 2000

The directors present their report and the audited accounts for the company for the year ended 31st October 2000.

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

Dividends of £20,000 were paid in the year, with a further £38,000 proposed.

Directors and their interests

The directors who held office during the year are given below:

Mr H Schneider	
Mr B D Green	(resigned 21st November 2000)
Mr B D H Cooper	
Mr J R Scarborough	
Mr P C Walker	(resigned 27th March 2001)

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.

Mr B D Green retired after 38 years service. The directors thank him for his commitment over that period.

Mr T Ender and Mr R A Gant were appointed to the Board of Directors on 1st November 2000 and 21st November 2000 respectively.

Statement of 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 affairs of the company and of the profit or loss for that year. In preparing those accounts 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 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.

AK STEEL LIMITED (FORMERLY ARMCO LIMITED)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST OCTOBER 2000

By order of the Board

Brian D H Coyle

Secretary, 9th May 2001

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

We have audited the accounts on pages 4 to 10 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 2000 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
The Old Meeting House
Meeting House Lane
Baldock
Herts
SG7 5BP

Date: 

AK STEEL LIMITED (FORMERLY ARMCO LIMITED)**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 31ST OCTOBER 2000

	Notes	2000 £	1999 £
Turnover	2	1,919,510	2,433,832
Cost of sales		(1,472,395)	(2,016,838)
Gross profit		447,115	416,994
Administrative expenses		(399,940)	(390,258)
		47,175	26,736
Other operating income		55,312	51,935
Operating profit	3	102,487	78,671
Interest receivable	4	409	2,718
Interest payable and similar charges	5	(40,909)	(43,020)
Profit on ordinary activities before taxation		61,987	38,369
Tax on profit on ordinary activities	8	(19,939)	(14,463)
Profit for the financial year		42,048	23,906
Dividends	9	(58,000)	(100,000)
Retained loss for the year		(15,952)	(76,094)
Retained profit brought forward		46,883	122,977
Retained profit carried forward		30,931	46,883

All amounts relate to continuing activities.

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

AS AT 31ST OCTOBER 2000

	Notes	£	2000 £	£	1999 £
Current assets					
Stocks			498,214		738,793
Debtors	11		666,865		682,985
Cash at bank and in hand			63,190		133,265
			<u>1,228,269</u>		<u>1,555,043</u>
Creditors: Amounts falling due within one year	12		<u>(742,338)</u>		<u>(1,053,160)</u>
Total assets less current liabilities			<u>485,931</u>		<u>501,883</u>
Capital and reserves					
Share capital	15		455,000		455,000
Profit and loss account			30,931		46,883
Shareholders' funds			<u>485,931</u>		<u>501,883</u>

These accounts were approved by the board on 9th May 2001 and signed on its behalf by:



Director

AK STEEL LIMITED (FORMERLY ARMCO LIMITED)**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST OCTOBER 2000****1 Accounting policies****Basis of accounting**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

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.

Leased Assets

Payments made under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

2 Turnover

The geographical analysis of turnover is as follows:

	2000 £	1999 £
Europe	129,051	271,115
Far East	587,470	231,583
United Kingdom	1,202,989	1,931,134
	<u>1,919,510</u>	<u>2,433,832</u>

3 Operating profit***The operating profit is stated after charging:***

	2000 £	1999 £
Loss on disposal of fixed assets	-	(3,404)
Hire of plant and equipment	19,230	17,112
Auditors' remuneration	9,000	8,000
	<u>9,000</u>	<u>8,000</u>

AK STEEL LIMITED (FORMERLY ARMCO LIMITED)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST OCTOBER 2000

4	Interest receivable	2000	1999
		£	£
	Bank interest receivable	409	2,718

5	Interest payable and similar charges	2000	1999
		£	£
	Interest payable on bank loans and overdrafts	387	350
	Other interest	40,522	42,670
		40,909	43,020

6 Directors and employees

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

	2000	1999
	£	£
Wages and salaries	140,874	125,767
Social security costs	12,625	11,868
Other pension costs	23,916	33,966
Other costs	23,694	15,256
	201,109	186,857

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

	2000	1999
	Number	Number
Selling and Distribution	4	4
Administration	1	1
	5	5

Directors' emoluments:

	2000	1999
	£	£
Aggregate emoluments	62,997	80,764
Directors' pension contributions	5,446	11,527
	68,443	92,291

AK STEEL LIMITED (FORMERLY ARMCO LIMITED)**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST OCTOBER 2000****7 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 £23,916 (1999 £22,439). These contributions include amounts in respect of one director.

8 Taxation

	2000 £	1999 £
Based on the profit for the year:		
UK corporation tax at 30% (1999 30.4%)	19,939	5,316
Group relief	-	7,684
Under provision in prior periods	-	1,463
	<u>19,939</u>	<u>14,463</u>

9 Dividends

	2000 £	1999 £
Equity dividends		
Ordinary dividends - paid	20,000	100,000
Ordinary dividends - proposed	38,000	-
Total equity dividends	<u>58,000</u>	<u>100,000</u>

AK STEEL LIMITED (FORMERLY ARMCO LIMITED)**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST OCTOBER 2000****10 Tangible fixed assets**

	Plant and machinery £	Total £
Cost		
At 1st November 1999	16,931	16,931
At 31st October 2000	16,931	16,931
Depreciation		
At 1st November 1999	16,931	16,931
At 31st October 2000	16,931	16,931
Net book value		
At 31st October 2000	-	-
<i>At 31st October 1999</i>	-	-

11 Debtors

	2000 £	1999 £
Trade debtors	597,950	638,079
Amounts owed by associated undertakings	49,266	15,345
Other debtors	2,319	11,682
Prepayments and accrued income	17,330	17,879
	666,865	682,985

12 Creditors: amounts falling due within one year

	2000 £	1999 £
Bank loans and overdrafts	-	2,906
Trade creditors	71,043	70,929
Amounts owed to associated undertakings (Note 13)	530,525	870,575
Corporation tax	21,291	13,000
Other taxes and social security	43,368	70,170
Accruals and deferred income	38,111	25,580
Proposed dividend	38,000	-
	742,338	1,053,160

AK STEEL LIMITED (FORMERLY ARMCO LIMITED)**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST OCTOBER 2000**

13	Loans and borrowings	2000	1999
		£	£
	Analysis of loans		
	Bank loans and overdraft	-	2,906
	Amounts owed to associated undertakings	530,525	870,575
		530,525	873,481

Maturity of debt

In one year or less, or on demand

530,525	873,481
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14 Operating lease commitments

At 31st October 2000 the company had annual commitments under non-cancellable operating leases as set out below:

	2000	1999
	£	£
Operating leases which expire:		
Between two and five years	17,263	14,267

15	Share capital	2000	1999
		£	£
	Authorised		
	Equity shares		
	500,000 Ordinary shares of £1.00 each	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

16 Related parties

The company's ultimate parent undertaking is AK Steel Holding Corporation, a company incorporated in the United States of America. 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 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 12 and 13 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.

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

AK STEEL LIMITED (FORMERLY ARMCO LIMITED)**MANAGEMENT PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 31ST OCTOBER 2000

	£	2000 £	£	1999 £
Turnover				
Sales		1,919,510		2,433,832
Cost of sales				
Purchases	1,472,395		2,016,838	
		(1,472,395)		(2,016,838)
Gross profit		447,115		416,994
Less expenses				
Administrative expenses	399,940		390,258	
Other income	(55,312)		(51,935)	
		(344,628)		(338,323)
Profit before interest		102,487		78,671
Interest payable				
On bank loans and overdrafts repayable within five years	387		350	
Other interest	40,522		42,670	
		(40,909)		(43,020)
Interest receivable				
Bank deposit interest	409		2,718	
		409		2,718
Profit for the year		61,987		38,369

AK STEEL LIMITED (FORMERLY ARMCO LIMITED)**MANAGEMENT PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 31ST OCTOBER 2000

	2000 £	1999 £
Analysis of expenses		
Administrative expenses		
Directors' remuneration	58,116	63,203
Directors' pension costs	5,446	11,527
Wages, salaries and pension costs	137,547	112,127
Rent and rates	61,882	65,239
Telephone	5,996	4,901
Printing, postage and stationery	6,781	5,936
Advertising	2,580	1,321
Insurance	19,942	19,862
Legal and professional fees	22,820	33,050
Auditors' remuneration	9,000	8,000
Hire of vehicles and equipment	19,230	17,112
Repairs and renewals	2,124	4,976
Motor expenses	3,407	4,032
Travel costs	15,520	16,831
Cleaning and laundry	3,032	2,693
Bank charges and interest	692	655
Subscriptions and donations	4,067	2,319
Training	600	50
Foreign exchange	(1,996)	(4,404)
Technical assistance	14,495	14,757
Entertaining	6,969	5,976
General expenses	1,690	3,499
Profit on sale of fixed assets	-	(3,404)
	<u>399,940</u>	<u>390,258</u>
Other income		
Commission receivable	55,312	51,334
Miscellaneous other income	-	601
	<u>55,312</u>	<u>51,935</u>