

COMPANY REGISTRATION NUMBER: 00932617

A K Steel Limited
Financial Statements
For the year ended
31 December 2015

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A K Steel Limited

Financial Statements

Year ended 31 December 2015

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A K Steel Limited

Officers and Professional Advisers

THE BOARD OF DIRECTORS

V Rao (Resigned 25 February 2016)
J Geraeds
G Baert (Appointed 25 February 2016)

REGISTERED OFFICE

Saffron Ground
Ditchmore Lane
Stevenage
Herts
SG1 3LJ

AUDITOR

Streets Audit LLP
Chartered Accountants & statutory auditor
Potton House
Wyboston Lakes
Great North Road
Wyboston
Bedfordshire
MK44 3BZ

BANKERS

HSBC Bank Plc
Station Place
Letchworth
Hertfordshire
SG6 3AJ

A K Steel Limited

Directors Report

Year ended 31 December 2015

The directors present their report and the financial statements of the company for the year ended 31 December 2015.

Directors

The directors who served the company during the year were as follows:

V Rao
J Geraeds

Directors responsibilities statement

The directors are responsible for preparing the directors report and the financial statements in accordance with applicable law 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 judgments and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

A K Steel Limited

Directors Report *(continued)*

Year ended 31 December 2015

This report was approved by the board of directors on 22 March 2016 and signed on behalf of the board by:


J Geraeds
Director

Registered office:
Saffron Ground
Ditchmore Lane
Stevenage
Herts
SG1 3LJ

A K Steel Limited

Independent Auditor's Report to the Shareholders of A K Steel Limited

Year ended 31 December 2015

We have audited the financial statements of A K Steel Limited for the year ended 31 December 2015 which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

A K Steel Limited

Independent Auditor's Report to the Shareholders of A K Steel Limited *(continued)*

Year ended 31 December 2015

Emphasis of matter

Without qualifying our opinion we draw attention to note 3 to the financial statements. Whilst the company has made a pre tax loss during the year of £123,433, it continues to have significant net assets. This note sets out the confirmations received by the directors relating to the support provided to the company by the parent and other group companies. On this basis the directors are satisfied that the financial statements should be prepared on a going concern basis.

The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

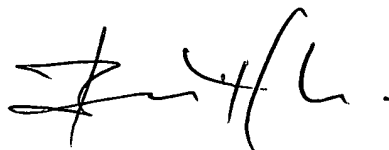
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; and
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors report and take advantage of the small companies exemptions from the requirement to prepare a strategic report.



Benjamin Halstead (Senior Statutory Auditor)
(Senior Statutory Auditor)

For and on behalf of
Streets Audit LLP
Chartered Accountants & statutory auditor

Potton House
Wyboston Lakes
Great North Road
Wyboston
Bedfordshire
MK44 3BZ

22/03/2016

A K Steel Limited

Income Statement

Year ended 31 December 2015

| | | 2015 | 2014 |
|---|----------|------------------------|----------------------|
| | Note | £ | £ |
| Turnover | 4 | 1,940,212 | 2,192,770 |
| Cost of sales | | <u>(1,321,321)</u> | <u>(1,312,012)</u> |
| Gross profit | | 618,891 | 880,758 |
| Distribution costs | | (212,140) | (191,094) |
| Administrative expenses | | (693,211) | (730,234) |
| Other operating income | 5 | <u>184,015</u> | <u>190,881</u> |
| Operating (loss)/profit | 6 | (102,445) | 150,311 |
| Interest receivable | | 12 | 9,011 |
| Interest payable | 10 | <u>(21,000)</u> | <u>(12,000)</u> |
| (Loss)/profit on ordinary activities before taxation | | (123,433) | 147,322 |
| Taxation on ordinary activities | 11 | <u>27,070</u> | <u>(60,639)</u> |
| (Loss)/profit for the financial year | | <u>(96,363)</u> | <u>86,683</u> |

All the activities of the company are from continuing operations.

The notes on pages 10 to 22 form part of these financial statements.

A K Steel Limited

Statement of Comprehensive Income

Year ended 31 December 2015

| | 2015 | 2014 |
|--|------------------------|-------------------------|
| | £ | £ |
| (Loss)/profit for the financial year | (96,363) | 86,683 |
| Remeasurement of the net defined benefit plan | 77,000 | (183,000) |
| Tax relating to components of other comprehensive income | (19,410) | 50,610 |
| Other comprehensive income for the year | <u>57,590</u> | <u>(132,390)</u> |
| Total comprehensive income for the year | <u>(38,773)</u> | <u>(45,707)</u> |

The notes on pages 10 to 22 form part of these financial statements.

A K Steel Limited

Statement of Financial Position

31 December 2015

| | Note | 2015 £ | 2014 £ |
|--|------|-----------------------|-------------------------|
| Fixed assets | | | |
| Tangible assets | 13 | 3,863 | 5,150 |
| Current assets | | | |
| Stocks | 14 | — | 573,599 |
| Debtors | 15 | 833,879 | 498,872 |
| Cash at bank and in hand | 16 | 324,427 | 1,044,881 |
| | | <u>1,158,306</u> | <u>2,117,352</u> |
| Creditors: amounts falling due within one year | 17 | <u>129,378</u> | <u>185,039</u> |
| Net current assets | | <u>1,028,928</u> | <u>1,932,313</u> |
| Total assets less current liabilities | | <u>1,032,791</u> | <u>1,937,463</u> |
| Provisions | | | |
| Taxation including deferred tax | 19 | <u>(30,427)</u> | <u>(49,528)</u> |
| Net assets excluding defined benefit pension plan liability | | <u>1,063,218</u> | <u>1,986,991</u> |
| Defined benefit pension plan liability | 20 | <u>(156,000)</u> | <u>(241,000)</u> |
| Net assets including defined benefit pension plan liability | | <u><u>907,218</u></u> | <u><u>1,745,991</u></u> |
| Capital and reserves | | | |
| Called up share capital | 22 | 455,000 | 455,000 |
| Profit and loss account | 23 | 452,218 | 1,290,991 |
| Shareholders funds | | <u><u>907,218</u></u> | <u><u>1,745,991</u></u> |

These financial statements were approved by the board of directors and authorised for issue on 22 March 2016, and are signed on behalf of the board by:


J Gerards
Director

Company registration number: 00932617

The notes on pages 10 to 22 form part of these financial statements.

A K Steel Limited

Statement of Changes in Equity

Year ended 31 December 2015

| | | Called up share capital £ | Profit and loss account £ | Total £ |
|--|----|---------------------------------|---------------------------------|-----------------------|
| At 1 January 2014 | | 455,000 | 1,336,698 | 1,791,698 |
| Profit for the year | | | 86,683 | 86,683 |
| Other comprehensive income for the year: | | | | |
| Remeasurement of the net defined benefit plan | 20 | – | (183,000) | (183,000) |
| Tax relating to components of other comprehensive income | 11 | – | 50,610 | 50,610 |
| Total comprehensive income for the year | | – | (45,707) | (45,707) |
| At 31 December 2014 | | 455,000 | 1,290,991 | 1,745,991 |
| Loss for the year | | | (96,363) | (96,363) |
| Other comprehensive income for the year: | | | | |
| Remeasurement of the net defined benefit plan | 20 | – | 77,000 | 77,000 |
| Tax relating to components of other comprehensive income | 11 | – | (19,410) | (19,410) |
| Total comprehensive income for the year | | – | (38,773) | (38,773) |
| Dividends paid and payable | 12 | – | (800,000) | (800,000) |
| Total investments by and distributions to owners | | – | (800,000) | (800,000) |
| At 31 December 2015 | | <u>455,000</u> | <u>452,218</u> | <u>907,218</u> |

The notes on pages 10 to 22 form part of these financial statements.

A K Steel Limited

Notes to the Financial Statements

Year ended 31 December 2015

1. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

2. Company information

AK Steel Limited is a Limited company, incorporated in England and Wales. The principal place of business is Saffron Ground, Ditchmore Lane, Stevenage, Herts SG1 3LJ.

The principal activity of the company during the year was the importation and sale of speciality steel products from associated companies and licensed products.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis. The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The accounts have been prepared on a going concern basis which assumes the continued support of its parent company. The parent company has indicated its willingness to provide this support and the ability of the group to provide this financial support is summarised in the group financial statements. As such, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 27.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of AK Steel Holding Corporation which can be obtained from 9227 Centre Pointe Drive, West Chester, Ohio 45069. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

No cash flow statement has been presented for the company.

Disclosures in respect of financial instruments have not been presented.

No disclosure has been given for the aggregate remuneration of key management personnel.

A K Steel Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

3. Accounting policies *(continued)*

Revenue recognition

The turnover shown in the profit and loss account represents goods sold during the year exclusive of Value Added Tax. Turnover is recognised on despatch of goods.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all material timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Tangible assets

Tangible assets are initially recorded at cost and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Fixtures, fittings & equipment - 33% straight line or 20% reducing balance

A K Steel Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

3. Accounting policies *(continued)*

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is based on purchase price.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

Defined benefit plans

The company recognises a defined net benefit pension asset or liability in the statement of financial position as the net total of the present value of its obligations and the fair value of plan assets out of which the obligations are to be settled. The defined benefit liability is measured on a discounted present value basis using a rate determined by reference to market yields at the reporting date on high quality corporate bonds. Defined benefit obligations and the related expenses are measured using the projected unit credit method. Plan surpluses are recognised as a defined benefit asset only to the extent that the surplus is recoverable either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit asset or liability arising from employee service are recognised in profit or loss as a current service cost where it relates to services in the current period and as a past service cost where it relates to services in prior periods. Costs relating to plan introductions, benefit changes, curtailments and settlements are recognised in profit or loss in the period in which they occur.

Net interest is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. Net interest is recognised in profit or loss.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

A K Steel Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

4. Turnover

Turnover arises from:

| | 2015 | 2014 |
|---------------|------------------|------------------|
| | £ | £ |
| Sale of goods | <u>1,940,212</u> | <u>2,192,770</u> |

In the opinion of the directors, there is one business segment which is reflected geographically as follows:

| | 2015 | 2014 |
|----------------|----------------|---------------|
| | £ | £ |
| United Kingdom | 1,506,426 | 2,165,350 |
| Rest of Europe | <u>433,786</u> | <u>27,420</u> |

5. Other operating income

| | 2015 | 2014 |
|-----------------------|----------------|----------------|
| | £ | £ |
| Commission receivable | <u>184,015</u> | <u>190,881</u> |

6. Operating profit

Operating profit or loss is stated after charging:

| | 2015 | 2014 |
|-------------------------------------|---------------|---------------|
| | £ | £ |
| Depreciation of tangible assets | 1,287 | 3,847 |
| Loss on disposal of tangible assets | — | 1,464 |
| Foreign exchange differences | 8,521 | 11,869 |
| Defined contribution plans expense | 34,250 | 30,196 |
| Defined benefit plans expense | <u>21,000</u> | <u>12,000</u> |

7. Auditor's remuneration

| | 2015 | 2014 |
|--|--------------|--------------|
| | £ | £ |
| Fees payable for the audit of the financial statements | <u>6,600</u> | <u>6,150</u> |
| Fees payable to the company's auditor and its associates for other services: | | |
| Taxation compliance services | 2,350 | 2,250 |
| Other non-audit services | <u>2,300</u> | <u>1,875</u> |
| | <u>4,650</u> | <u>4,125</u> |

A K Steel Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

8. Particulars of employees

The average number of persons employed by the company during the year, including the directors, amounted to:

| | 2015 No | 2014 No |
|----------------------|------------|------------|
| Administrative staff | <u>5</u> | <u>5</u> |

The aggregate payroll costs incurred during the year, relating to the above, were:

| | 2015 £ | 2014 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 366,989 | 395,782 |
| Social security costs | 48,635 | 41,281 |
| Other pension costs | 34,250 | 30,196 |
| | <u>449,874</u> | <u>467,259</u> |

9. Directors remuneration

The directors aggregate remuneration in respect of qualifying services was:

| | 2015 £ | 2014 £ |
|---|----------------|----------------|
| Remuneration | 139,105 | 129,736 |
| Company contributions to defined contribution pension plans | 13,103 | 11,959 |
| | <u>152,208</u> | <u>141,695</u> |

The number of directors who accrued benefits under company pension plans was as follows:

| | 2015 No | 2014 No |
|----------------------------|------------|------------|
| Defined contribution plans | <u>1</u> | <u>1</u> |

10. Interest payable

| | 2015 £ | 2014 £ |
|---|---------------|---------------|
| Net finance costs in respect of defined benefit pension plans | <u>21,000</u> | <u>12,000</u> |

11. Taxation on ordinary activities

Major components of tax (income)/expense

| | 2015 £ | 2014 £ |
|---|-----------------|---------------|
| Current tax: | | |
| UK current tax (income)/expense | (26,761) | 28,335 |
| Adjustments in respect of prior periods | — | 32,231 |
| Total current tax | <u>(26,761)</u> | <u>60,566</u> |

A K Steel Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

11. Taxation on ordinary activities *(continued)*

| | 2015 £ | 2014 £ |
|--|-----------------|---------------|
| Deferred tax: | | |
| Origination and reversal of timing differences | (309) | 73 |
| Taxation on ordinary activities | (27,070) | 60,639 |

Tax recognised as other comprehensive income or equity

The aggregate current and deferred tax relating to items recognised as other comprehensive income or equity for the year was £19,410 (2014: £(50,610)).

Reconciliation of tax (income)/expense

The tax assessed on the loss on ordinary activities for the year is lower than (2014: higher than) the standard rate of corporation tax in the UK of 20% (2014: 21.50%).

| | 2015 £ | 2014 £ |
|--|-----------------|---------------|
| (Loss)/profit on ordinary activities before taxation | (123,433) | 147,322 |
| (Loss)/profit on ordinary activities by rate of tax | (24,687) | 31,674 |
| Effect of expenses not deductible for tax purposes | 1,031 | 314 |
| Effect of capital allowances and depreciation | (52) | (131) |
| Effect of different UK tax rates on some earnings | (1,762) | – |
| Rounding on tax charge | – | (9) |
| Defined benefit pension adjustment | (1,600) | (3,440) |
| Underprovision for earlier years | – | 32,231 |
| Tax on (loss)/profit on ordinary activities | (27,070) | 60,639 |

12. Dividends

| | 2015 £ | 2014 £ |
|--|----------------|-----------|
| Dividends paid during the year (excluding those for which a liability existed at the end of the prior year) | 800,000 | – |

A K Steel Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

13. Tangible assets

| | Fixtures and fittings £ |
|-------------------------------|----------------------------|
| Cost | |
| At 1 Jan 2015 and 31 Dec 2015 | <u>13,183</u> |
| Depreciation | |
| At 1 January 2015 | 8,033 |
| Charge for the year | <u>1,287</u> |
| At 31 December 2015 | <u>9,320</u> |
| Carrying amount | |
| At 31 December 2015 | <u>3,863</u> |
| At 31 December 2014 | <u>5,150</u> |

14. Stocks

| | 2015 £ | 2014 £ |
|-------------------------------------|-----------|----------------|
| Finished goods and goods for resale | <u>–</u> | <u>573,599</u> |

15. Debtors

| | 2015 £ | 2014 £ |
|------------------------------------|----------------|----------------|
| Trade debtors | 343,761 | 386,726 |
| Amounts owed by group undertakings | 356,892 | 7,300 |
| Prepayments and accrued income | 18,929 | 21,341 |
| Corporation tax repayable | 26,761 | – |
| Other debtors | 87,536 | 83,505 |
| | <u>833,879</u> | <u>498,872</u> |

16. Cash and cash equivalents

Cash and cash equivalents comprise the following:

| | 2015 £ | 2014 £ |
|--------------------------|----------------|------------------|
| Cash at bank and in hand | 324,427 | 1,044,881 |
| Bank overdrafts | <u>–</u> | <u>(271)</u> |
| | <u>324,427</u> | <u>1,044,610</u> |

A K Steel Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

17. Creditors: amounts falling due within one year

| | 2015 £ | 2014 £ |
|------------------------------------|----------------|----------------|
| Bank loans and overdrafts | – | 271 |
| Trade creditors | 30,249 | 50,377 |
| Amounts owed to group undertakings | – | 13,386 |
| Accruals and deferred income | 35,359 | 54,371 |
| Corporation tax | – | 1,567 |
| Social security and other taxes | 63,770 | 65,067 |
| | <u>129,378</u> | <u>185,039</u> |

18. Deferred tax

The deferred tax included in the statement of financial position is as follows:

| | 2015 £ | 2014 £ |
|----------------------------------|-----------------|-----------------|
| Included in provisions (note 19) | <u>(30,427)</u> | <u>(49,528)</u> |

The deferred tax account consists of the tax effect of timing differences in respect of:

| | 2015 £ | 2014 £ |
|--------------------------------|-----------------|-----------------|
| Accelerated capital allowances | 773 | 1,082 |
| Pension benefit obligations | <u>(31,200)</u> | <u>(50,610)</u> |
| | <u>(30,427)</u> | <u>(49,528)</u> |

19. Provisions

| | Deferred tax (note 18) £ |
|--------------------------|--------------------------------|
| At 1 January 2015 | (49,528) |
| Charge against provision | <u>19,101</u> |
| At 31 December 2015 | <u>(30,427)</u> |

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £34,250 (2014: £30,196).

A K Steel Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

20. Employee benefits *(continued)*

Defined benefit plans

The company operates a defined benefit pension scheme for qualifying employees. Under the scheme, the employees are entitled to retirement benefits, on attainment of a retirement age of 65, of 1/60th of their final salary for each year of service up to a maximum of 40/60 of their final salary. No other post-retirement benefits are provided. The scheme is a funded scheme.

The most recent actuarial valuation of scheme assets and the present value of the defined benefit obligation was carried out at 31 December 2015 by A H Probyn, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation and the related current service cost were measured using the projected unit credit method.

The projected unit credit method is an accrued valuation method that sees each period of service as giving rise to an additional benefit entitlement and measures each until separately to build up the final obligation.

The statement of financial position net defined benefit liability is determined as follows:

| | 2015 | 2014 |
|--|------------------|------------------|
| | £ | £ |
| Present value of defined benefit obligations | (1,690,000) | (1,743,000) |
| Fair value of plan assets | 1,534,000 | 1,502,000 |
| | <u>(156,000)</u> | <u>(241,000)</u> |

Changes in the present value of the defined benefit obligations are as follows:

| | 2015 |
|------------------------------------|------------------|
| | £ |
| At 1 January 2015 | 1,743,000 |
| Current service cost | 12,000 |
| Interest expense | 63,000 |
| Benefits paid | (20,000) |
| Contributions by plan participants | 3,000 |
| Change of assumptions (gain) | (99,000) |
| Remeasurements: | |
| Actuarial gains and losses | (12,000) |
| At 31 December 2015 | <u>1,690,000</u> |

A K Steel Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

20. Employee benefits *(continued)*

Changes in the fair value of plan assets are as follows:

| | 2015 |
|---|-------------------------|
| | £ |
| At 1 January 2015 | 1,502,000 |
| Benefits paid | (20,000) |
| Contributions by employer | 29,000 |
| Contributions by plan participants | 3,000 |
| Remeasurements: | |
| Actuarial gains and losses | (34,000) |
| Return on plan assets, excluding amount included in interest income | 54,000 |
| At 31 December 2015 | <u>1,534,000</u> |

The total costs for the year in relation to defined benefit plans are as follows:

| | 2015 | 2014 |
|---|---------------|------------------|
| | £ | £ |
| Recognised in profit or loss: | | |
| Current service cost | 12,000 | 9,000 |
| Net interest expense | 9,000 | 3,000 |
| | <u>21,000</u> | <u>12,000</u> |
| Recognised in other comprehensive income: | | |
| Liability experience gain / (loss) | 12,000 | (2,000) |
| Change in assumptions gain / (loss) | 99,000 | (231,000) |
| Remeasurement of the liability: | | |
| Return on plan assets, excluding amounts included in net interest | (34,000) | 50,000 |
| | <u>77,000</u> | <u>(183,000)</u> |

The fair value of the major categories of plan assets are as follows:

| | 2015 | 2014 |
|--|-------------|----------|
| | % | % |
| Equity instruments | 41.00 | 39.00 |
| Debt instruments | 31.00 | 26.00 |
| Property | 19.00 | 15.00 |
| Other assets user defined 1 percentage | 9.00 | 20.00 |

The return on plan assets are as follows:

| | 2015 | 2014 |
|----------------------------------|---------------|---------------|
| | £ | £ |
| Return on assets of benefit plan | <u>54,000</u> | <u>65,000</u> |

A K Steel Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

20. Employee benefits *(continued)*

The principal actuarial assumptions as at the statement of financial position date were:

| | 2015 | 2014 |
|---------------------------------------|-------------|-------------|
| | % | % |
| Discount rate | 4.00 | 3.60 |
| Expected rate of salary increase | 4.30 | 4.20 |
| Expected rate of increase in pensions | 3.20 | 3.10 |
| Inflation assumption | 2.60 | 2.50 |
| Mortality rates: | | |
| Current pensioners at 65 - male | 1.50 | 1.50 |
| Current pensioners at 65 - female | <u>1.00</u> | <u>1.00</u> |

21. Events after the end of the reporting period

Since the year end the company has undertaken a restructuring programme to reduce overheads. The cost of this exercise was £58,806.

22. Called up share capital

Issued, called up and fully paid

| | 2015 | | 2014 | |
|----------------------------|----------------|----------------|----------------|----------------|
| | No | £ | No | £ |
| Ordinary shares of £1 each | <u>455,000</u> | <u>455,000</u> | <u>455,000</u> | <u>455,000</u> |

23. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

24. Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

| | 2015 | 2014 |
|--|----------------|----------------|
| | £ | £ |
| Not later than 1 year | 54,368 | 164,397 |
| Later than 1 year and not later than 5 years | 70,347 | 20,344 |
| | <u>124,715</u> | <u>184,741</u> |

25. Related party transactions

The company provides administration services and makes payments on behalf of its pension fund. At the balance sheet date the company was owed £32,424 (2014 - £26,651).

The company has taken advantage of the exemption available in FRS 102 not to disclose transactions with group companies on the grounds that A K Steel Limited is a wholly owned subsidiary of the group.

A K Steel Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

26. Controlling party

100% of the issued share capital of the company is owned by AK Steel International BV.

The company's ultimate parent undertaking and controlling party is AK Steel Holding Corporation, a company incorporated in the United States of America. Copies of the accounts of the ultimate parent company are available from 9227 Centre Pointe Drive, West Chester, Ohio 45069, United States of America and this is the only group in which the results of the company are consolidated.

27. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The company transitioned to FRS 102 on 1 January 2014.

Reconciliation of equity

| | 1 January 2014 | | | 31 December 2014 | | |
|--|---------------------------------|--|----------------|---------------------------------|--|----------------|
| | As previously stated £ | Effect of FRS 102 (as transition £ | restated) £ | As previously stated £ | Effect of FRS 102 (as transition £ | restated) £ |
| Fixed Assets | 4,203 | – | 4,203 | 5,150 | – | 5,150 |
| Current Assets | 2,087,291 | – | 2,087,291 | 2,117,352 | – | 2,117,352 |
| Creditors: amounts falling due within one year | (224,787) | – | (224,787) | (185,039) | – | (185,039) |
| Net current assets | 1,862,504 | – | 1,862,504 | 1,932,313 | – | 1,932,313 |
| Total assets less current liabilities | 1,866,707 | – | 1,866,707 | 1,937,463 | – | 1,937,463 |
| Provisions | (1,009) | – | (1,009) | (1,082) | 50,610 | 49,528 |
| Defined benefit pension plan liability | (74,000) | – | (74,000) | (190,390) | (50,610) | (241,000) |
| Net assets including defined benefit pension plan liability | 1,791,698 | – | 1,791,698 | 1,745,991 | – | 1,745,991 |
| Capital And Reserves | 1,791,698 | – | 1,791,698 | 1,745,991 | – | 1,745,991 |

A K Steel Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

27. Transition to FRS 102 *(continued)*

Reconciliation of profit or loss for the year

| | Year ended 31 December 2014 | | |
|--------------------------------------|------------------------------|--|----------------|
| | As previously stated £ | Effect of FRS 102 (as transition £ | restated) £ |
| Turnover | 2,192,770 | – | 2,192,770 |
| Cost of sales | (1,312,012) | – | (1,312,012) |
| Gross profit | 880,758 | – | 880,758 |
| Distribution costs | (191,094) | – | (191,094) |
| Administrative expenses | (730,234) | – | (730,234) |
| Other operating income | 190,881 | – | 190,881 |
| Operating (loss)/profit | 150,311 | – | 150,311 |
| Interest receivable | 9,011 | – | 9,011 |
| Interest payable | – | (12,000) | (12,000) |
| Taxation on ordinary activities | (60,639) | – | (60,639) |
| (Loss)/profit for the financial year | 98,683 | (12,000) | 86,683 |

In accordance with FRS 102 the net interest on the net defined benefit liability during the year has been recognised in the statement of comprehensive income. The deferred tax associated with the pension liability is included within the provision for deferred tax. This is a change from FRS 17 which required the expected return on plan assets and an interest cost to be recognised in the profit and loss account for the year and for the deferred tax to be netted against the pension liability in the balance sheet.

The financial impact of these adjustments was an additional £12,000 interest charged to profit and a corresponding £12,000 reduction in the actuarial loss for the period from £195,000 to £183,000. As these two adjustments contra, the profit and loss account reserve balance brought forward under FRS102 is the same as the profit and loss reserve balance carried forward under old UK GAAP.