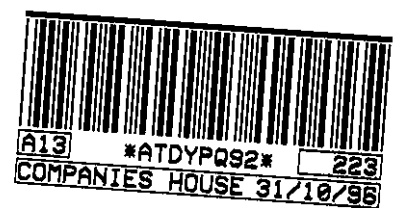


Kidd Creek Europe Limited

Directors' report and accounts

31 December 1995

Registered number 1832198



Kidd Creek Europe Limited

Directors' report and financial statements

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Kidd Creek Europe Limited

Directors' report

The directors present their report and the accounts for the year ended 31 December 1995.

Principal activities and business review

The principal activity of the company is property investment.

Proposed dividend

The directors do not recommend the payment of a dividend (1994:*£nil*). The loss for the year was £456,525 (1994:£518,328).

Directors and directors' interests

The directors who held office during the year were as follows:

EA Seth	(Canadian)
MHS McSorley	(British)
DC Job	(British)

The directors had the following beneficial interests in the shares and debentures of group companies:

	Shares of Falconbridge Limited		Vested Stock Options of Falconbridge Limited	
	31 December 1995	31 December 1994	31 December 1995	31 December 1994
DC Job	-	-	2,500	2,500
MHS McSorley	-	-	10,000	-
EA Seth	-	2,000	11,000	8,500

Falconbridge Limited established a stock option plan in 1994 and options were granted at a price of Cdn. \$18.50 per common share. The options granted to employees vest immediately and for executive officers vest at the rate of 20% per year commencing 23 June 1994. Options may be exercised within five years after the date they vest. 6,000 options were exercised during 1995 (1994: *nil*).

Falconbridge Limited granted options in July 1995 at a price of Cdn.\$28.75 per common share which vest immediately.

The directors had no other disclosable interests in the shares and debentures of group companies.

Kidd Creek Europe Limited

Directors' report

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


EA Seth
Secretary

9 Park Place
St James
London SW1A 1LP

18 October 1996

Kidd Creek Europe Limited

Statement of 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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, at any time, the financial position of the company with reasonable accuracy and to enable the directors to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of Kidd Creek Europe Limited

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those statements and to 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 the 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 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 31 December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

28 October 1996

Kidd Creek Europe Limited

Profit and loss account

for the year ended 31 December 1995

	<i>Note</i>	1995 £	1994 £
Turnover		271,015	216,628
Cost of sales		(658,939)	(673,568)
Gross loss		(387,924)	(456,940)
Administrative expenses		(70,038)	(63,985)
Other interest receivable and similar income		1,437	2,597
Loss on ordinary activities before and after taxation		(456,525)	(518,328)
Accumulated losses brought forward	2-5	(1,632,746)	(1,114,418)
Accumulated losses carried forward		(2,089,271)	(1,632,746)

All turnover and operating loss is derived from continuing operations.

There were no recognised gains or losses apart from the loss for the year and prior year.

Kidd Creek Europe Limited

Balance sheet at 31 December 1995

	Note	1995 £	1994 £
Current assets			
Debtors	6	135,471	162,154
Cash at bank and in hand		4,044	14,350
		<u>139,515</u>	<u>176,504</u>
Creditors: amounts falling due within one year	7	<u>(173,986)</u>	<u>(189,753)</u>
Net current liabilities		<u>(34,471)</u>	<u>(13,249)</u>
Creditors: amounts falling due after more than one year	8	<u>(1,508,604)</u>	<u>(1,073,301)</u>
Net liabilities		<u>(1,543,075)</u>	<u>(1,086,550)</u>
Capital and reserves			
Capital and reserves			
Called up share capital	9	100	100
Share premium account		546,096	546,096
Profit and loss account		<u>(2,089,271)</u>	<u>(1,632,746)</u>
		<u>(1,543,075)</u>	<u>(1,086,550)</u>

These accounts were approved by the board of directors on 18th October 1996 and were signed on its behalf by:

DC Job
Director

EA Seth
Director

Kidd Creek Europe Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards, under the historical cost accounting rules and on a going concern basis which assumes the company will continue to trade with the support of its parent undertaking, Falconbridge Limited.

This support is necessary as the company has entered into a lease in respect of 9 Park Place, London of at least £466,000 per annum until 25 December 2004 and does not expect to generate sufficient rental income to cover the rent and service charges due in respect of these premises for the foreseeable future. The company's parent undertaking has however, guaranteed the rent and service charges payable in respect of these premises, should the company be unable to meet this commitment. No support beyond this level has been given, as in the opinion of the directors, this level of support is adequate for the company's current activities.

Turnover

Turnover represents rent receivable.

Operating lease rental

Rentals payable under operating leases are charged to the profit and loss account when incurred.

Cash flow statement

The company is a small company within the definition of section 247(3) of the Companies Act 1985. Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement.

Kidd Creek Europe Limited

Notes (continued)

2 Loss on ordinary activities before taxation

	1995	1994
	£	£
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Operating lease rentals	466,000	466,000
Auditors' remuneration:		
Audit	8,638	6,874
Other services	1,000	1,000
	<u> </u>	<u> </u>

3 Staff numbers and costs

Other than the directors the company employed no staff during the year (1994: none).

4 Emoluments of directors

The directors received no emoluments during the year (1994: £nil).

5 Taxation

There was no charge or credit for taxation during the year as tax losses have been carried forward.

6 Debtors

	1995	1994
	£	£
Amounts falling due within one year		
Trade debtors	135,471	162,154
	<u> </u>	<u> </u>

Kidd Creek Europe Limited

Notes *(continued)*

7 Creditors: amounts falling due within one year

	1995	1994
	£	£
Trade creditors	116,500	117,563
Other creditors	1,602	1,602
Accruals and deferred income	55,884	70,588
	<u>173,986</u>	<u>189,753</u>

8 Creditors: amounts falling due after more than one year

	1995	1994
	£	£
Amount due to parent undertaking	<u>1,508,604</u>	<u>1,073,301</u>

9 Called up share capital

	1995	1994
	£	£
<i>Authorised</i>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted and called up</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

Kidd Creek Europe Limited

Notes *(continued)*

10 Commitments on operating leases

	1995	1994
	£	£
Land and buildings		
Operating leases expiring in		
December 2004 - amounts payable:		
Within one year	466,000	466,000
In the second to fifth years inclusive	1,864,000	1,864,000
Over five years	1,864,000	2,330,000
	<u>4,194,000</u>	<u>4,660,000</u>

11 Ultimate parent undertaking

The ultimate parent undertaking is Falconbridge Limited, a company incorporated in Canada.

The smallest and largest group in which the results of the company are consolidated is that headed by Falconbridge Limited.

The consolidated accounts of Falconbridge Limited are available to the public and may be obtained from Suite 1200, 95 Wellington Street West, Toronto, Canada, M5J 2V4.