Kidd Creek Europe Limited

Directors' report and accounts

31 December 1994

Registered number 1832198

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Kidd Creek Europe Limited

Directors' report and financial statements

Contents

	Page
Directors' report	1
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes	7

Kidd Creek Europe Limited

Directors' report

The directors present their report and the accounts for the year ended 31 December 1994.

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 *(1993:£nil)*. The loss for the year was £518,328 *(1993:£519,768)*.

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 1994	31 December 1993	31 December 1994	31 December 1993
DC Job	-	-	2,500	-
MHS McSorley	-	-	-	-
EA Seth	2,000	-	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. No options were exercised during 1994.

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

Kidd Creek Europe Limited

Directors' report

Auditors

On 6 February 1995 the auditors changed the name under which they practise to KPMG and accordingly have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment 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

September 1995

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.

KPMG

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 1994 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

30 September 1995

Kidd Creek Europe Limited

Profit and loss account

for the year ended 31 December 1994

	Note	**1994**	1993
		£	£
Turnover		**216,628**	120,620
Cost of sales		**(673,568)**	(599,720)
Gross loss		**(456,940)**	(479,100)
Administrative expenses		**(63,985)**	(45,132)
Other interest receivable and similar income		**2,597**	4,464
Loss on ordinary activities before and after taxation	*2-5*	**(518,328)**	(519,768)
Accumulated losses brought forward		**(1,114,418)**	(594,650)
Accumulated losses carried forward		**(1,632,746)**	(1,114,418)

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 1994

	Note	1994 £	1993 £
Current assets			
Debtors	6	162,154	120,398
Cash at bank and in hand		14,350	6,424
		176,504	126,822
Creditors: amounts falling due within one year	7	(189,753)	(135,102)
Net current liabilities		(13,249)	(8,280)
Creditors: amounts falling due after more than one year	8	(1,073,301)	(559,942)
Net liabilities		(1,086,550)	(568,222)
Capital and reserves			
Capital and reserves			
Called up share capital	9	100	100
Share premium account		546,096	546,096
Profit and loss account		(1,632,746)	(1,114,418)
		(1,086,550)	(568,222)

These accounts were approved by the board of directors on 29 September 1995 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.

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

	1994 £	1993 £
Loss on ordinary activities before taxation is stated after charging		
Operating lease rentals	**466,000**	466,000
Auditors' remuneration:		
Audit	**6,874**	4,000
Other services	**1,000**	1,000

3 Staff numbers and costs

Other than the directors the company employed no staff during the year *(1993:none)*.

4 Emoluments of directors

The directors received no emoluments during the year *(1993:£nil)*.

5 Taxation

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

6 Debtors

	1994 £	1993 £
Amounts falling due within one year		
Trade debtors	**162,154**	120,151
Other debtors	**-**	247
	162,154	120,398

Kidd Creek Europe Limited

Notes *(continued)*

7 Creditors: amounts falling due within one year

	1994 £	1993 £
Trade creditors	117,563	116,500
Other creditors	1,602	1,602
Accruals and deferred income	70,588	17,000
	189,753	135,102

8 Creditors: amounts falling due after more than one year

	1994 £	1993 £
Amount due to parent undertaking	1,073,301	559,942

9 Called up share capital

	1994 £	1993 £
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted and called up		
100 ordinary shares of £1 each	100	100

Kidd Creek Europe Limited

Notes *(continued)*

10 Commitments on operating leases

Land and buildings	1994 £	1993 £
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**	2,330,000
Over five years	**2,330,000**	2,330,000
	4,660,000	5,126,000

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.