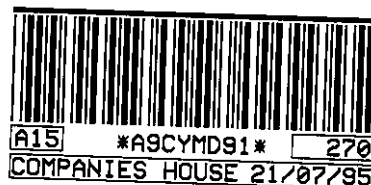


NABORS EUROPE LIMITED

**Annual report
for the year ended 30 September 1994**

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Consolidated profit and loss account	5
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Directors and advisers

Executive directors

Chairman	Angus Petrie
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Managing Director	Larry Heidt
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Finance	Garry Allan
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Secretary	Garry Allan
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Registered office	Plumtree Court LONDON EC4A 4HT
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Auditors	Coopers & Lybrand 32 Albyn Place ABERDEEN AB1 1YL
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Solicitors	Paull & Williamsons Union Row ABERDEEN
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Bankers	Bank of Scotland
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**Report of the directors
for the year ended 30 September 1994**

The directors present their report and the audited financial statements for the year ended 30 September 1994.

Principal activities

The consolidated profit and loss account for the year is set out on page 5.

The principal activities of the group are that of drilling contractors.

Review of business and future developments

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

In February 1994 the Filtration division of Thistle Well Services Limited was sold to enable the company to concentrate more on its core wireline business. It is intended that sales of non core parts of this business will take place in the foreseeable future together with a streamlining of overheads. It is fully anticipated that this will result in an improvement in the profitability of Thistle Well Services Limited and contribute to an increase in the company's competitiveness in the market place.

Changes in presentation of the financial statements

Following the introduction of Financial Reporting Standard No. 4, "Capital Instruments", the presentation of the financial statements has been amended to conform with the new requirements.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend. The profit for the financial year of £737,000 will be transferred to the group's reserves.

Directors

The directors of the company during the year to 30 September 1994 were:

S C Holmes	(resigned 28 July 1994)
A Petrie	
L P Heidt	
G R Allan	(appointed 29 July 1994)

Changes in fixed assets

The movements in fixed assets during the year, are set out in note 10 to the financial statements.

Directors' interests in shares of the company

No directors held beneficial interests in the shares of the company at 30 September 1994, or at any time during the year.

**Report of the directors
for the year ended 30 September 1994 (continued)**

Insurance of directors

The group maintains insurance for the directors in respect of their duties as directors of the company.

Directors' responsibility

The directors are required by UK Company Law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 September 1994. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

Charitable and political donations

The group made donations for charitable purposes during the year of £4,210.

Employees

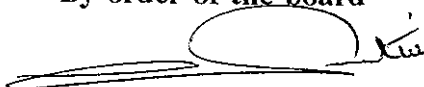
During the year the policy of providing employees with information about the group has been continued through various announcements.

Although much of the group's work is unsuitable for disabled persons, positive efforts are made to recruit and train disabled persons for suitable work. Arrangements will be made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



Director

**Report of the auditors to the members of
NABORS EUROPE LIMITED**

We have audited the financial statements on pages 5 to 19.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

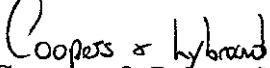
Basis of opinion

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 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 affairs of the company and the group at 30 September 1994 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand
Chartered Accountants and Registered Auditors

ABERDEEN,

13th July 1995

NABORS EUROPE LIMITED

Consolidated profit and loss account for the year ended 30 September 1994

	Notes	1994 £'000	1993 £'000
Turnover	1	36,164	33,570
Cost of sales		30,695	27,969
Gross profit		5,469	5,601
Administrative expenses		3,599	6,936
Operating profit/(loss)	2	1,870	(1,335)
Exceptional loss on disposal of fixed asset	5	-	3,978
Net interest payable	6	1,870 1,126	(5,313) 1,552
Profit/(loss) on ordinary activities before taxation		744	(6,865)
Tax on profit on ordinary activities	7	7	57
Retained profit/(loss) for the year		737	(6,922)

Statement of retained losses

Retained loss at beginning of year		(6,922)	-
Retained profit/(loss) for year		737	(6,922)
Prior year adjustment	8	559	-
Retained losses at 30 September 1994		(5,626)	(6,922)

All items dealt with in arriving at the operating profit/(loss) for 1994 and 1993 relate to continuing operations. Results from the discontinued Filtration business have not been separately disclosed on the grounds of materiality.

The group has no recognised gains and losses other than those included in the profit/(losses) above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the year stated above, and their historical cost equivalents.

NABORS EUROPE LIMITED

Balance sheets - 30 September 1994

	Notes	Group		Company	
		1994 £'000	1993 £'000	1994 £'000	1993 £'000
Fixed assets					
Tangible assets	10	9,570	10,176	-	-
Investments	11	-	-	4,217	4,217
		<u>9,570</u>	<u>10,176</u>	<u>4,217</u>	<u>4,217</u>
Current assets					
Stocks	12	342	377	-	-
Debtors : amounts falling due after one year	13	5,162	6,561	-	-
Debtors : amounts falling due within one year	13	22,237	11,271	-	-
Cash at bank and in hand		658	11,711	-	-
		<u>28,399</u>	<u>29,920</u>	<u>-</u>	<u>-</u>
Creditors: amounts falling due within one year	14	<u>(17,697)</u>	<u>(17,002)</u>	<u>(4,217)</u>	<u>(4,217)</u>
Net current assets/(liabilities)		<u>10,702</u>	<u>12,918</u>	<u>(4,217)</u>	<u>(4,217)</u>
Total assets less current liabilities		<u>20,272</u>	<u>23,094</u>	<u>-</u>	<u>-</u>
Creditors: amounts falling due after more than one year	15	<u>(14,051)</u>	<u>(18,390)</u>	<u>-</u>	<u>-</u>
Provisions for liabilities and charges	16	<u>(2,676)</u>	<u>(2,455)</u>	<u>-</u>	<u>-</u>
Net assets		<u>3,545</u>	<u>2,249</u>	<u>-</u>	<u>-</u>
Capital and reserves					
Called up share capital	17	-	-	-	-
Capital contribution	18	9,171	9,171	-	-
Profit and loss account		(5,626)	(6,922)	-	-
Equity shareholders' funds	19	<u>3,545</u>	<u>2,249</u>	<u>-</u>	<u>-</u>

Approved by the board on


 Directors

NABORS EUROPE LIMITED

Consolidated cashflow statement for the year ended 30 September 1994

	Notes	1994 £000	1993 £000
Net cash flow from continuing operating activities	22	(7,171)	6,010
Returns on investments and servicing of finance			
Interest received		491	125
Interest paid		(1,455)	(1,677)
Net cash outflow from returns on investments and servicing of finance		(964)	(1,552)
Taxation			
UK corporation tax paid		(43)	(476)
Investing activities			
Purchase of tangible fixed assets		(507)	(9,755)
Sale of tangible fixed assets		543	10,593
Loan issued to fellow subsidiary		-	(10,573)
Loan repayments received		1,900	-
Net cash inflow/(outflow) from investing activities		1,936	(9,735)
Net cash outflow before financing		(6,242)	(5,753)
Financing			
Capital contribution		-	9,171
Loan received from ultimate parent		-	8,351
Repayment of loan		(4,556)	(1,114)
Principal payment under capital lease		(9)	(25)
Net cash inflow/(outflow) from financing		(4,565)	16,383
Increase/(decrease) in cash and cash equivalents	22	(10,807)	10,630

NABORS EUROPE LIMITED

Notes to the financial statements for the year ended 30 September 1994

Principal accounting policies

1 The financial statements have been prepared in accordance with applicable accounting principles in the United Kingdom. A summary of the more important group accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements include the company and its subsidiary undertaking. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from their date of acquisition or up to the date of their disposal. Intra-group profits are eliminated fully on consolidation.

Fixed assets

The cost of tangible and intangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets less their estimated residual values, on a straight-line basis, over the expected useful economic lives of the assets concerned. The principal useful lives used for this purpose are:

Rigs and drilling equipment	5 - 30 years
Motor vehicles	3 years
Office equipment	3 - 10 years

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Differences on exchange are included in operating profit.

Turnover

Turnover, which excludes value added tax represents the amounts invoiced by the group in respect of drilling services during the year.

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

NABORS EUROPE LIMITED

Notes to the financial statements for the year ended 30 September 1994

Finance and operating leases

Rental costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Pension scheme arrangements

The group contributes to individual employees' pension plans and an occupational (Money Purchase) pension scheme. These arrangements is available to eligible fulltime employees. The company's contributions are charged against profits in the year in which contributions are made.

Stocks

Stocks are stated at the lower of cost and net realisable value. In general cost is calculated on an average cost basis. Net realisable value is calculated by reference to the estimated selling prices less costs of realisation.

Operating profit

2 Operating profit is stated after charging/(crediting):-

	1994 £'000	1993 £'000
Depreciation of tangible fixed assets	870	653
Auditors' remuneration	27	25
Auditors' remuneration for non audit services	80	64
Operating lease rentals		
- Plant and machinery	142	150
- Other	200	204
(Profit) on disposal of fixed assets	(300)	(127)
	<u> </u>	<u> </u>

NABORS EUROPE LIMITED**Notes to the financial statements
for the year ended 30 September 1994****Directors' emoluments**

3	1994 £'000	1993 £'000
Fees	31	19
Other emoluments (including pension contributions and benefits in kind)	212	177
Compensation for loss of office	53	-
	<u> </u>	<u> </u>

Directors emoluments excluding pension contributions are as follows:

	£	£
Emoluments of the chairman	31,250	18,750
Emoluments of the highest paid director	<u>155,257</u>	<u>117,146</u>

The number of directors (including the chairman and the highest paid director) whose emoluments were within the ranges was:

	1994	1993
£10,001 to £15,000	1	-
£15,001 to £20,000	-	1
£30,001 to £35,000	1	-
£55,001 to £60,000	-	1
£90,001 to £95,000	1	-
£115,001 to £120,000	-	1
£155,001 to £160,000	1	-
	<u> </u>	<u> </u>

Employee information

4 The average weekly number of persons employed by the group including executive directors during the year is analysed below:

	1994	1993
Rig crew	407	380
Administration	80	90
	<u> </u>	<u> </u>
	<u>487</u>	<u>470</u>

NABORS EUROPE LIMITED**Notes to the financial statements
for the year ended 30 September 1994**

Employment costs - all employees including executive directors:

	1994 £'000	1993 £'000
Wages and salaries	15,317	16,101
Social security costs	1,429	1,520
Other pension costs	295	331
	<hr/>	<hr/>
Total direct costs of employment	17,041	17,952
	<hr/>	<hr/>

Exceptional loss on disposal of fixed assets

	1994 £'000	1993 £'000
5		
Loss on sale of drilling rig	-	3,978
	<hr/>	<hr/>

Net interest payable and similar charges

	1994 £'000	1993 £'000
6		
Interest payable on sums:		
Repayable within 5 years, not by instalments	10	15
Repayable wholly or partly in more than 5 years	1,599	1,648
On finance leases	8	14
	<hr/>	<hr/>
	1,617	1,677
	<hr/>	<hr/>
Interest receivable and other income:		
Bank interest	111	67
Gross earnings arising from finance leases (see note (a) below)	-	58
Arising on parent company loan	380	-
	<hr/>	<hr/>
	491	125
	<hr/>	<hr/>
	1,126	1,552
	<hr/>	<hr/>

- (a) The rentals receivable during the year from which the gross earnings are derived were £Nil (1993 : £1,265,729)

NABORS EUROPE LIMITED**Notes to the financial statements
for the year ended 30 September 1994****Taxation**

7

	1994 £'000	1993 £'000
United Kingdom corporation tax at 33%:		
Current	80	5
Deferred	221	52
Overseas tax	20	-
	<u>321</u>	<u>57</u>
Over provision in respect of prior years:		
Current	(314)	-
	<u>7</u>	<u>57</u>
	<u><u>7</u></u>	<u><u>57</u></u>

There is a low current tax charge due to availability of corporation tax losses from prior years.

Prior year adjustment

8 The prior year adjustment of £559,000 relates to the correction of an error in the treatment of 1993 management charges.

Profit/(loss) for the financial year

9 As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit/(loss) for the financial year is made up as follows:

	1994 £'000	1993 £'000
Dealt with in the accounts of the holding company	-	-
Retained by subsidiary companies	(5,626)	(6,922)
	<u>(5,626)</u>	<u>(6,922)</u>
	<u><u>(5,626)</u></u>	<u><u>(6,922)</u></u>

NABORS EUROPE LIMITED

Notes to the financial statements continued
for the year ended 30 September 1994

Tangible fixed assets

10

Group	Land and buildings £'000	Rigs and drilling equipment £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 October 1993	462	9,814	24	296	10,596
Additions	4	175	-	328	507
Disposals	(6)	(307)	(2)	-	(315)
At 30 September 1994	460	9,682	22	624	10,788
Depreciation					
At 1 October 1993	62	341	13	4	420
Charge for year	45	718	-	107	870
Disposals	-	(72)	-	-	(72)
At 30 September 1994	107	987	13	111	1,218
Net book value					
At 30 September 1994	353	8,695	9	513	9,570
Net book value					
At 30 September 1993	400	9,473	11	292	10,176

The net book value of tangible fixed assets includes an amount of £14,729 (1993 : £39,989) in respect of assets held under HP agreements.

NABORS EUROPE LIMITED

**Notes to the financial statements continued
for the year ended 30 September 1994**

Fixed asset investment - investment in subsidiary

11	£'000
At 30 September 1993 and 1994	<u><u>4,217</u></u>

Details of the subsidiaries are shown below:

Name of undertaking	Country of incorporation	Nature of business	Description of shares held	Proportion of nominal value of issued shares held by group
Nabors Drilling and Energy Services UK Limited (formerly Loffland Nabors UK Limited)	Scotland	Drilling Contractors	Ordinary £1 shares	100%
Thistle Well Services Limited	Scotland	Well Services	Ordinary £1 shares	100%
(a) Thistle Well Services Limited is owned by Nabors Drilling and Energy Services UK Limited.				

Stocks

12

	Group		Company	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Finished goods	<u>342</u>	<u>377</u>	<u>-</u>	<u>-</u>

NABORS EUROPE LIMITED

Notes to the financial statements continued for the year ended 30 September 1994

Debtors

13

	Group		Company	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Amounts falling due within one year:				
Loan to fellow subsidiary undertakings	3,511	4,012	-	-
Trade debtors	9,070	6,282	-	-
Amounts owed by group undertakings	8,907	50	-	-
Corporation tax	5	-	-	-
Other debtors	72	310	-	-
Prepayments and accrued income	672	617	-	-
	<u>22,237</u>	<u>11,271</u>	<u>-</u>	<u>-</u>
Amounts falling due after one year				
Loan to fellow subsidiary undertaking	5,162	6,561	-	-
	<u>27,399</u>	<u>17,832</u>	<u>-</u>	<u>-</u>

The loan to fellow subsidiary is unsecured. Interest is charged at 5% per annum.

Creditors: amounts falling due within one year

14

	Group		Company	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Bank overdraft	-	246	-	-
Bank loan (see note 15)	3,795	4,012	-	-
Obligations under finance leases and HP agreements	16	25	-	-
Trade creditors	2,297	1,705	-	-
Amounts owed to group undertakings	9,857	8,637	4,217	4,217
Taxation and Social Security costs (see note (a) below)	469	606	-	-
Accruals and deferred income	1,184	1,729	-	-
Other creditors	79	42	-	-
	<u>17,697</u>	<u>17,002</u>	<u>4,217</u>	<u>4,217</u>

NABORS EUROPE LIMITED**Notes to the financial statements continued
for the year ended 30 September 1994**

(a) Taxation and Social Security is made up as follows:

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
United Kingdom corporation tax payable	17	269	-	-
PAYE and Social security	452	337	-	-
	<u>469</u>	<u>606</u>	<u>-</u>	<u>-</u>
	<u><u>469</u></u>	<u><u>606</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Creditors: amounts falling due after more than one year

15

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Bank loan (see (a) below)	5,693	10,030	-	-
Loan from ultimate parent company (see (b) below)	8,358	8,352	-	-
Obligations under finance leases and HP agreements (see (c) below)	-	8	-	-
	<u>14,051</u>	<u>18,390</u>	<u>-</u>	<u>-</u>
	<u><u>14,051</u></u>	<u><u>18,390</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

- (a) This loan is secured by a floating charge on the whole property and undertaking of the group. Interest is payable on the loan at 10.25% per annum. The final repayment is due on 31 January 1997.
- (b) The loan from the ultimate parent company is unsecured with no fixed repayment terms. Interest is charged at 7% per annum.

NABORS EUROPE LIMITED**Notes to the financial statements continued
for the year ended 30 September 1994****Deferred taxation**

16 Full provision is made for deferred tax as follows:

	Amount provided	
	1994	1993
	£'000	£'000
Group		
Accelerated capital allowances	2,729	3,026
Other timing differences	(53)	(79)
Unutilised losses	-	(492)
	<u>2,676</u>	<u>2,455</u>

Movements on the provision for deferred taxation are as follows:-

	£'000
At 30 September 1993	2,455
Transfer to profit and loss account	221
At 30 September 1994	<u>2,676</u>

Called up share capital

17

	Ordinary shares of £1 each		8% redeemable convertible preference shares of £1 each	
	1994	1993	1994	1993
Authorised - value	£200	£200	£200	£200
- number	200	200	-	-
Allotted, called up and fully paid				
- value	£102	£102	£ -	£ -
- number	102	102	-	-

Capital contribution

18

	1994	1993
	£'000	£'000
Contribution received from ultimate holding company	<u>9,171</u>	<u>9,171</u>

The directors do not regard this amount as distributable.

NABORS EUROPE LIMITED

Notes to the financial
for the year ended 30

Reconciliation of movements in shareholders' funds

19

Profit/(loss) for the financial year
Capital contribution
Prior year adjustment

Net addition to shareholders' funds
Opening shareholders' funds

Closing shareholders' funds

Contingent liabilities20 **Lease commitments**

(a) The group has operating lease commitments as follows:

Date of lease termination
Within one year
In second to fifth years inclusive
Expiring in over

The majority of lease commitments are for a review years period.

(b) The group has entered into performance bonds and similar agreements in connection with these.

Ultimate and immediate parent companies

21 The directors of Nabors Industries Inc, as the ultimate parent undertaking.

NOTES

Statements continued
September 1994

Reconciliation of movements in shareholders' funds

1994
£'000

1993
£'000

737

(6,922)

-

9,171

559

-

1,296

2,249

2,249

-

3,545

2,249

Financial commitments

ts

Financial commitments in respect of non-cancellable
The rentals payable under these leases in the next years

	Group		Company	
	Land & buildings	Other	Total	Total
	1994 £'000	1994 £'000	1993 £'000	1994 £'000
Within one year	-	48	215	-
In second to fifth years inclusive	152	53	104	-
Expiring in over	85	-	85	-
	<u>237</u>	<u>101</u>	<u>404</u>	<u>-</u>

The group's leases of land and buildings are subject to rent between three and five years.

entered into performance bonds and similar agreements in connection with these. In the opinion of the directors, no loss will be incurred with these.

Ultimate and immediate parent companies

21 Nabors Industries Inc, a company registered in the United States of America, is the ultimate parent undertaking.

NABORS EUROPE LIMITED**Notes to the financial statements continued
for the year ended 30 September 1994****Reconciliation of operating profit to net cash flow from operating activities**

22

	1994 £000	1993 £000
Operating profit/(loss)	1,870	(5,313)
Prior year adjustment	559	-
Depreciation on tangible fixed assets	870	653
(Profit) on sale of tangible fixed assets	(300)	(127)
Exceptional loss on sale of tangible fixed assets	-	3,978
Decrease/(increase) in stocks	35	(53)
(Increase) in trade debtors	(2,788)	(1,589)
Increase in amounts owed by group companies	(8,857)	-
Decrease/(increase) in prepayments and accrued income	(55)	247
Decrease in other debtors	238	-
Increase in trade creditors	592	879
Increase in amounts owed to group companies	1,220	3,404
Increase in other taxation and social security	115	4
Increase/(decrease) in accruals and deferred income	(707)	830
Increase in other creditors	37	42
Decrease in amounts receivable under finance lease	-	2,903
Investment in subsidiary (see note (a) below)	-	152
	<u>(7,171)</u>	<u>6,010</u>

- (a) The results and balance sheet of Thistle Well Services Limited were consolidated for the first time in the year ended 30 September 1993 as their inclusion was not material to the results or financial position of the group at 30 September 1992.

Analysis of changes in cash and cash equivalents as shown in the balance sheet

	1994 £000	1993 £000
Balance at start of year	11,465	835
Net cash inflow/(outflow) for year	(10,807)	10,630
Balance at end of year	<u>658</u>	<u>11,465</u>

Analysis of balances of cash and cash equivalents as shown in the balance sheet

	1994 £000	1993 £000
Cash at bank and in hand	658	11,711
Bank overdraft	-	(246)
	<u>658</u>	<u>11,465</u>