

NABORS EUROPE LIMITED

1189466

**Annual report
for the year ended 30 September 1995**

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Directors and advisers

Executive directors

Chairman	Angus Petrie
Managing Director	Larry Heidt
Finance	Garry Allan

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 1995**

The directors present their report and the audited financial statements for the year ended 30 September 1995.

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 year end financial position were satisfactory. However the loss for the year was unsatisfactory and a review is being conducted of all the group's activities in an effort to improve efficiency and client service whilst achieving significant cost reductions. The directors expect that the present level of business activity will be sustained for the foreseeable future.

In March 1995 the Non Destructive Testing division of Thistle Well Services Ltd was sold to enable the company to concentrate more on its core wireline business. This was in line with the company's formulated strategy.

On 30 September 1995, as part of an exercise to streamline the UK group, the whole of the remaining business of Thistle Well Services Ltd was transferred to Nabors Drilling and Energy Services UK Ltd.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend. The loss for the financial year of £403,000 will be transferred to the group's reserves.

Directors

The directors of the company during the year to 30 September 1995 were:

A Petrie
L P Heidt
G R Allan

Changes in fixed assets

The movements in fixed assets during the year, are set out in note 9 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 1995, or at any time during the year.

Insurance of directors

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

**Report of the directors
for the year ended 30 September 1995 (continued)****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 1995. 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 £558.

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


Secretary

**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 1995 and of the loss 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
Coopers & Lybrand

Chartered Accountants and Registered Auditors

ABERDEEN,

25 July 1996

NABORS EUROPE LIMITED**Consolidated profit and loss account
for the year ended 30 September 1995**

	Notes	1995 £'000	1994 £'000
Turnover	1	32,689	36,164
Cost of sales		28,479	30,695
Gross profit		4,210	5,469
Administrative expenses		3,773	3,599
Operating profit	2	437	1,870
Net interest payable	5	978	1,126
(Loss)/profit on ordinary activities before taxation		(541)	744
Tax on profit on ordinary activities	6	(138)	7
Retained (loss)/profit for the year		(403)	737

Statement of retained losses

Retained loss at beginning of year		(5,626)	(6,922)
Retained (loss)/profit for year		(403)	737
Prior year adjustment	7	-	559
Retained losses at 30 September 1995		(6,029)	(5,626)

All items dealt with in arriving at the operating profit for 1995 and 1994 relate to continuing operations.

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 loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

NABORS EUROPE LIMITED

Balance sheets - 30 September 1995

	Notes	Group		Company	
		1995 £'000	1994 £'000	1995 £'000	1994 £'000
Fixed assets					
Tangible assets	9	8,610	9,570	-	-
Investments	10	-	-	4,217	4,217
		<u>8,610</u>	<u>9,570</u>	<u>4,217</u>	<u>4,217</u>
Current assets					
Stocks	11	366	342	-	-
Debtors : amounts falling due within one year	12	17,614	22,237	-	-
Debtors : amounts falling due after one year	12	1,084	5,162	-	-
Cash at bank and in hand		1,207	658	-	-
		<u>20,271</u>	<u>28,399</u>	<u>-</u>	<u>-</u>
Creditors: amounts falling due within one year	13	(13,022)	(17,697)	(4,217)	(4,217)
Net current assets/(liabilities)		<u>7,249</u>	<u>10,702</u>	<u>(4,217)</u>	<u>(4,217)</u>
Total assets less current liabilities		<u>15,859</u>	<u>20,272</u>	<u>-</u>	<u>-</u>
Creditors: amounts falling due after more than one year	14	(10,256)	(14,051)	-	-
Provisions for liabilities and charges	15	(2,461)	(2,676)	-	-
Net assets		<u>3,142</u>	<u>3,545</u>	<u>-</u>	<u>-</u>
Capital and reserves					
Called up share capital	16	-	-	-	-
Capital contribution	17	9,171	9,171	-	-
Profit and loss account		(6,029)	(5,626)	-	-
Equity shareholders' funds	18	<u>3,142</u>	<u>3,545</u>	<u>-</u>	<u>-</u>

Approved by the board on 16 July 1996




} Directors

NABORS EUROPE LIMITED

Consolidated cashflow statement for the year ended 30 September 1995

	Notes	1995 £000	1994 £000
Net cash flow from continuing operating activities	21	1,318	(7,171)
Returns on investments and servicing of finance			
Interest received		230	491
Interest paid		<u>(1,208)</u>	<u>(1,455)</u>
Net cash outflow from returns on investments and servicing of finance		(978)	(964)
Taxation			
UK corporation tax paid		63	(43)
Investing activities			
Purchase of tangible fixed assets		(137)	(507)
Sale of tangible fixed assets		-	543
Loan repayments received		<u>4,078</u>	<u>1,900</u>
Net cash inflow from investing activities		3,941	1,936
Net cash inflow/(outflow) before financing		4,344	(6,242)
Financing			
Repayment of loan		(3,795)	(4,556)
Principal payment under capital lease		-	(9)
Net cash (outflow) from financing		(3,795)	(4,565)
Increase/(decrease) in cash and cash equivalents	21	549	(10,807)

NABORS EUROPE LIMITED

Notes to the financial statements for the year ended 30 September 1995

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 1995

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 are 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):-

	1995 £'000	1994 £'000
Depreciation of tangible fixed assets	1,090	870
Auditors' remuneration	27	27
Auditors' remuneration for non audit services	108	80
Operating lease rentals		
- Plant and machinery	108	142
- Other	229	200
Loss/(profit) on disposal of fixed assets	9	(300)
	<u> </u>	<u> </u>

NABORS EUROPE LIMITED

Notes to the financial statements for the year ended 30 September 1995

Directors' emoluments

3	1995 £'000	1994 £'000
Fees	25	31
Other emoluments (including pension contributions and benefits in kind)	325	212
Compensation for loss of office	-	53
	<u> </u>	<u> </u>

Directors emoluments excluding pension contributions are as follows:

	£	£
Emoluments of the chairman	25,000	31,250
Emoluments of the highest paid director	171,735	155,257
	<u> </u>	<u> </u>

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

	1995	1994
£10,001 to £15,000	-	1
£20,001 to £25,000	1	-
£30,001 to £35,000	-	1
£45,001 to £50,000	1	-
£90,001 to £95,000	-	1
£155,001 to £160,000	-	1
£170,001 to £175,000	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:

	1995	1994
Rig crew	405	407
Administration	70	80
	<u> </u>	<u> </u>
	475	487
	<u> </u>	<u> </u>

NABORS EUROPE LIMITED**Notes to the financial statements
for the year ended 30 September 1995**

	1995	1994
	£'000	£'000
Wages and salaries	14,826	15,317
Social security costs	1,379	1,429
Other pension costs	269	295
	<u>16,474</u>	<u>17,041</u>
Total direct costs of employment	<u>16,474</u>	<u>17,041</u>

Net interest payable and similar charges

5

	1995	1994
	£'000	£'000
Interest payable on sums:		
Repayable within 5 years, not by instalments	808	10
Repayable wholly or partly in more than 5 years	400	1,599
On finance leases	-	8
	<u>1,208</u>	<u>1,617</u>
Interest receivable and other income:		
Bank interest	70	111
Arising on parent company loan	160	380
	<u>230</u>	<u>491</u>
	<u>978</u>	<u>1,126</u>

NABORS EUROPE LIMITED

Notes to the financial statements for the year ended 30 September 1995

Taxation

6

	1995 £'000	1994 £'000
United Kingdom corporation tax at 33%:		
Current	159	80
Deferred	(215)	221
Overseas tax	-	20
	(56)	321
Over provision in respect of prior years:		
Current	(82)	(314)
	(138)	7

Prior year adjustment

7 The prior year adjustment in 1994 of £559,000 related to the correction of an error in the treatment of 1993 management charges.

Profit/(loss) for the financial year

8 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:

	1995 £'000	1994 £'000
Dealt with in the accounts of the holding company	-	-
Retained by subsidiary companies	(403)	737
	(403)	737

NABORS EUROPE LIMITED

Notes to the financial statements continued for the year ended 30 September 1995

Tangible fixed assets

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Group	Land and buildings £'000	Rigs and drilling equipment £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 October 1994	460	9,682	22	624	10,788
Additions	-	15	10	112	137
Disposals	-	-	(21)	-	(21)
At 30 September 1995	460	9,697	11	736	10,904
Depreciation					
At 1 October 1994	107	987	13	111	1,218
Charge for year	45	770	5	269	1,090
Disposals	-	-	(13)	-	(13)
At 30 September 1995	152	1,757	5	380	2,294
Net book value					
At 30 September 1995	308	7,940	6	356	8,610
Net book value					
At 30 September 1994	353	8,695	9	513	9,570

The net book value of tangible fixed assets includes an amount of £ nil (1994 : £14,729) in respect of assets held under HP agreements.

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**Notes to the financial statements continued
for the year ended 30 September 1995**

Fixed asset investment - investment in subsidiary

10	£'000
At 30 September 1994 and 1995	<u>4,217</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	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

11

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Finished goods	366	342	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NABORS EUROPE LIMITED

Notes to the financial statements continued
for the year ended 30 September 1995

Debtors

12

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Amounts falling due within one year:				
Loan to fellow subsidiary undertakings	3,796	3,511	-	-
Trade debtors	6,664	9,070	-	-
Amounts owed by group undertakings	6,812	8,907	-	-
Corporation tax	-	5	-	-
Other debtors	-	72	-	-
Prepayments and accrued income	342	672	-	-
	<u>17,614</u>	<u>22,237</u>	<u>-</u>	<u>-</u>
Amounts falling due after one year				
Loan to fellow subsidiary undertaking	1,084	5,162	-	-
	<u>18,698</u>	<u>27,399</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

13

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Bank loan (see note 14)	3,795	3,795	-	-
Obligations under finance leases and HP agreements	-	16	-	-
Trade creditors	1,103	2,297	-	-
Amounts owed to group undertakings	4,217	9,857	4,217	4,217
Taxation and Social Security costs (see note (a) below)	659	469	-	-
Accruals and deferred income	3,248	1,184	-	-
Other creditors	-	79	-	-
	<u>13,022</u>	<u>17,697</u>	<u>4,217</u>	<u>4,217</u>

NABORS EUROPE LIMITED

Notes to the financial statements continued for the year ended 30 September 1995

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

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
United Kingdom corporation tax payable	152	17	-	-
PAYE and Social security	507	452	-	-
	<u>659</u>	<u>469</u>	<u>-</u>	<u>-</u>
	<u>659</u>	<u>469</u>	<u>-</u>	<u>-</u>

Creditors: amounts falling due after more than one year

14

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Bank loan (see (a) below)	1,898	5,693	-	-
Loan from ultimate parent company (see (b) below)	8,358	8,358	-	-
	<u>10,256</u>	<u>14,051</u>	<u>-</u>	<u>-</u>
	<u>10,256</u>	<u>14,051</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 1995

Deferred taxation

15 Full provision is made for deferred tax as follows:

	Amount provided	
	1995 £'000	1994 £'000
Group		
Accelerated capital allowances	2,461	2,729
Other timing differences	-	(53)
Unutilised losses	-	-
	<u>2,461</u>	<u>2,676</u>

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

	£'000
At 30 September 1994	2,676
Transfer to profit and loss account	215
At 30 September 1995	<u>2,461</u>

Called up share capital

16

	Ordinary shares of £1 each		8% redeemable convertible preference shares of £1 each	
	1995	1994	1995	1994
Authorised - value	<u>£200</u>	<u>£200</u>	<u>£200</u>	<u>£200</u>
- number	<u>200</u>	<u>200</u>	<u>-</u>	<u>-</u>
Allotted, called up and fully paid				
- value	<u>£102</u>	<u>£102</u>	<u>£ -</u>	<u>£ -</u>
- number	<u>102</u>	<u>102</u>	<u>-</u>	<u>-</u>

Capital contribution

17

	1995	1994
	£'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 statements continued for the year ended 30 September 1995

Reconciliation of movements in shareholders' funds

18

	1995 £'000	1994 £'000
(Loss)/profit for the financial year	(403)	737
Prior year adjustment	-	559
Net addition to shareholders' funds	(403)	1,296
Opening shareholders' funds	3,545	2,249
Closing shareholders' funds	3,142	3,545

Contingent liabilities and financial commitments

19

Lease commitments

- (a) The group has financial commitments in respect of non-cancellable operating leases. The rentals payable under these leases in the next years are as follows:

	Land & buildings	Group Other	Total	Company Total	Total
	1995 £'000	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Date of lease termination					
Within one year	-	34	48	-	-
In second to fifth years inclusive	147	71	205	-	-
Expiring in over five years	74	-	85	-	-
	221	105	338	-	-

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

- (b) The group has entered into performance bonds and similar agreements in the normal course of business. In the opinion of the directors, no loss will arise in connection with these.

Ultimate and immediate parent companies

20 The directors regard Nabors Industries Inc, a company registered in the USA, as the ultimate parent undertaking.

NABORS EUROPE LIMITED**Notes to the financial statements continued
for the year ended 30 September 1995****Reconciliation of operating profit to net cash flow from operating activities**

21

	1995 £000	1994 £000
Operating profit/(loss)	437	1,870
Prior year adjustment	-	559
Depreciation on tangible fixed assets	1,090	870
Loss/(profit) on sale of tangible fixed assets	9	(300)
Decrease/(increase) in stocks	(24)	35
Decrease/(increase) in trade debtors	2,406	(2,788)
Decrease/(increase) in amounts owed by group companies	1,810	(8,857)
Decrease/(increase) in prepayments and accrued income	330	(55)
Decrease in other debtors	72	238
(Decrease)/increase in trade creditors	(1,194)	592
(Decrease)/increase in amounts owed to group companies	(5,640)	1,220
Increase in other taxation and social security	55	115
Increase/(decrease) in accruals and deferred income	2,064	(707)
(Decrease)/increase in other creditors	(97)	37
	<u>1,318</u>	<u>(7,171)</u>

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

	1995 £000	1994 £000
Balance at start of year	658	11,465
Net cash inflow/(outflow) for year	549	(10,807)
Balance at end of year	<u>1,207</u>	<u>658</u>

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

	1995 £000	1994 £000
Cash at bank and in hand	1,207	658
Bank overdraft	-	-
	<u>1,207</u>	<u>658</u>