

# Annual Report 1982





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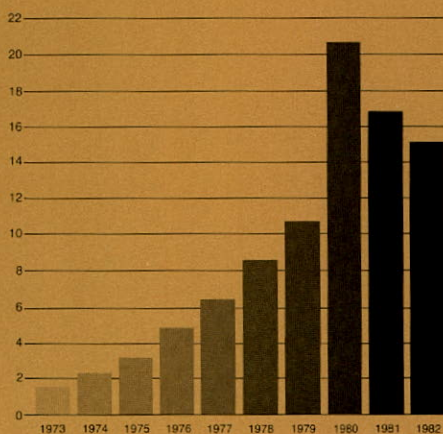
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The Annual General Meeting  
of the Shareholders of Nowasco Well  
Service Ltd. will be held in the  
18th floor auditorium of Norcen  
Tower, 715 - Fifth Avenue,  
S.W., Calgary, Alberta on Wednesday,  
April 27, 1983 at 11:00 o'clock  
in the forenoon (local time).



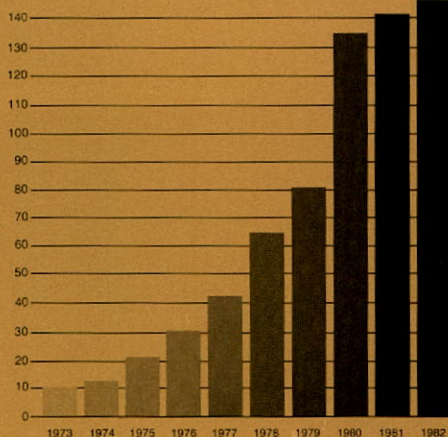
### CONSOLIDATED NET INCOME

MILLIONS OF DOLLARS



### CONSOLIDATED SALES

MILLIONS OF DOLLARS

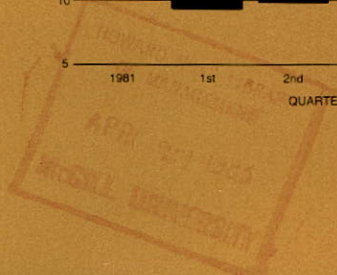
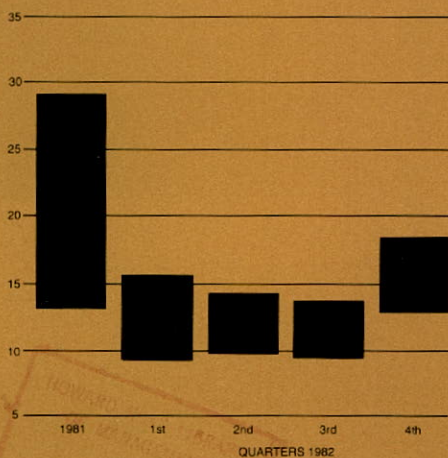


### SHARE PRICES — 1982, 1981

TSE — IN CAN. \$

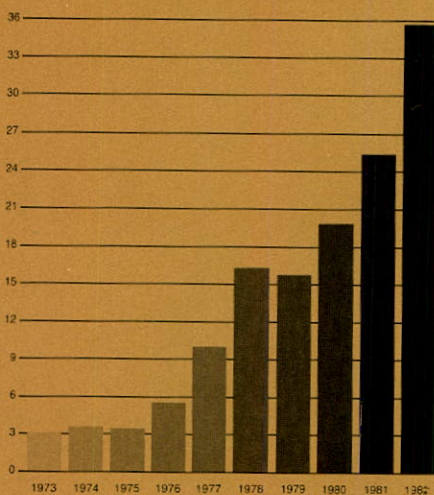
VOLUMES TRADED

1981 — 1,439,191  
1982 — 1,669,323



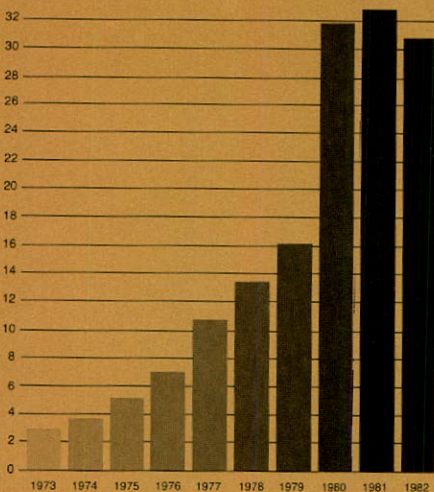
### NET CAPITAL EXPENDITURES

MILLIONS OF DOLLARS



### CASH FLOW FROM OPERATIONS

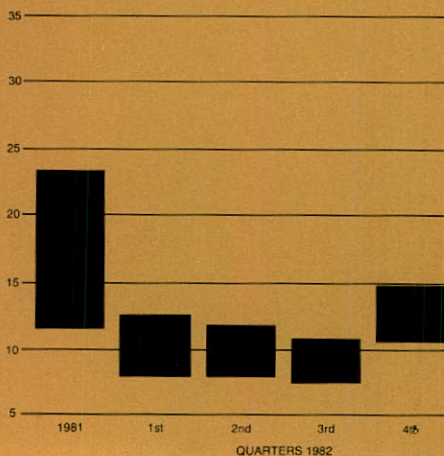
MILLIONS OF DOLLARS



### SHARE PRICES — 1982, 1981

NASDAQ — IN U.S. \$

VOLUMES TRADED  
1981 — 1,278,659  
1982 — 994,816





# THE YEAR AT A GLANCE

1

	1982	1981	% Change
Sales .....	\$146,217,000	\$140,850,000	+ 4
Net income before minority interest .....	\$ 18,408,000	\$ 19,744,000	- 7
Percent of sales before minority interest .....	12.6%	14.0%	
Net income .....	\$ 15,079,000	\$ 16,836,000	- 10
Percent of sales .....	10.3%	11.9%	
Net Income per share .....	\$1.12	\$1.25	- 10
Proceeds from issue of share capital .....	\$ 92,000	\$ 152,000	- 39
Cash flow from operations .....	\$ 30,692,000	\$ 32,739,000	- 6
Capital expenditures — net .....	\$ 35,770,000	\$ 25,397,000	+ 41
Dividends paid .....	\$ 3,649,000	\$ 4,848,000	- 25
Depreciation .....	\$ 10,100,000	\$ 7,825,000	+ 29
Number of shares issued and outstanding at year end .....	13,522,045	13,478,045	
Shareholders .....	1,611	1,664	
Employees at year end .....	1,048	1,020	

## 4TH QUARTER

	1982	1981	% Change
Sales .....	\$ 44,028,000	\$ 34,739,000	+ 27
Net income before minority interest .....	\$ 6,961,000	\$ 5,038,000	+ 38
Net income .....	\$ 6,037,000	\$ 4,401,000	+ 37
Net income per share .....	\$0.45	\$0.33	+ 36
Cash flow from operations .....	\$ 9,783,000	\$ 9,547,000	+ 2
Capital Expenditures .....	\$ 6,948,000	\$ 6,697,000	+ 4





## TO THE SHAREHOLDERS:

**In 1962, operations commenced under the name of Nowsco of Canada Ltd. formed by Big Three Industries, Inc. and a group of Canadian residents.**



*D. A. Richardson*

1982 marked the twentieth anniversary of Nowsco, and for twenty consecutive years we have reported sales increases. Despite the economic slowdown of our industry over the past 18 months, we are pleased to report 1982 record sales of \$146,217,000 an increase of 4% over sales of \$140,850,000 during 1981. Net income for 1982 was \$15,079,000; a decrease of 10% from 1981 earnings of \$16,836,000. This represents 1982 earnings of \$1.12 per share compared to 1981 earnings of \$1.25 per share.

The 12-month period was plagued with a depressed market place throughout the industry we serve.

*S. P. Shouldice*

High interest rates and "soft" markets for hydrocarbon products were common throughout North America while the Canadian industry was further burdened with the detrimental effects of the National Energy Policy. Reduced cash flows and lack of investor confidence were a frequent topic of discussion among many of our customers, particularly in Canada, our major base of operations. Active drilling rig counts were off by 40-60% throughout most of North America during 1982.

Fortunately, the Alberta Government saw fit to implement a well servicing and drilling incentives program in mid 1982 which





stimulated activity by both producers and operators. The impact of this program which involved a Provincial grant of \$250,000,000 and which was depleted by mid December, was most evident during the fourth quarter of 1982.

In Canada, where we generated some 75% of our revenue during 1981, we experienced a major slow-down throughout our industry during 1982. To meet this problem of a depressed competitive market we implemented a salary freeze and a hiring freeze. For the first time in 20 years we were unfortunately compelled to "lay-off" certain of our valued staff during 1982 to cope with this business slowdown. Numerous other operating efficiency steps were taken that will continue to prove beneficial in the future. We are now very pleased with the level of operating efficiency that currently exists in our Canadian operations. If, and when, higher levels of activity do return to Canada we will be a more efficient and profitable company. The lessons learned in a depressed market are indeed valuable for the future.

Outside of Canada, we continued to show good sales growth in 1982. Our efforts to expand internationally received maximum attention throughout the year and are reflected in our non-domestic sales growth of some 59% for 1982. The UK, Europe and South East Asia all showed strong sales growth during the past 12 months and we are particularly pleased with our mid-1981 expansion into the USA where we now operate

throughout 4 states in the Appalachian area.

October 17, 1982, marked the 20th anniversary of the first job ever performed by Nowsco; a nitrogen displacement — where unwanted fluids are removed from the well using nitrogen — at a well-site some 100 miles north of Calgary. Since that first job, your management has been fortunate to experience the development of a staff of dedicated, competitive, and loyal people — the key to our growth and success over the years. This same key was instrumental in the development of good equipment, new and innovative technology, expanding markets and geographic coverage and most importantly — satisfied repeat customers.

Certainly, the frustrations of the weak market place of 1982, particularly in Canada, were a new experience for most of us at Nowsco. However, we have learned from this experience and will apply this knowledge as we continue to expand internationally. Our company has developed a strong presence in all areas of its operations; with the continued support and effort of our staff, who certainly showed their dedication to the company in 1982, we look forward to 1983 and the challenge of continued growth in the future. We are confident that the medium to long-term world wide demand for oil and gas will be a rewarding challenge to our customers and Nowsco will continue to serve this demand on an international basis.

**In 1965, Nowsco Well Service Ltd. was incorporated to expand into the Acidizing market.**

S. P. Shouldice  
President and Chief  
Executive Officer

D. A. Richardson  
Senior Vice-President



1982 was a successful year from an operational view point with the Company continuing its push into international markets as well as taking action to improve efficiencies in response to the depressed Canadian economy.

Our expansion in Western Canada during 1982 was minimal with new operational facilities being built in Peace River and the completion of

## In 1970, Nowsco introduced Endless Tubing Units to the Canadian Oil and Gas Industry.

the new Chemical Blending Plant located in Calgary, Alberta. This is a step in a new direction for Nowsco and will enable us to not only supply all of our own blended chemical needs but also to maintain quality control over the many special liquid and dry blends used in our stimulation and cementing operations. The other inherent benefits are the cost savings through good inventory management and the ability to do custom blending for other parties. This forward-looking attitude, even in times of economic down-turn is the hallmark that has put Nowsco where it is today — the largest company in our field in Canada.

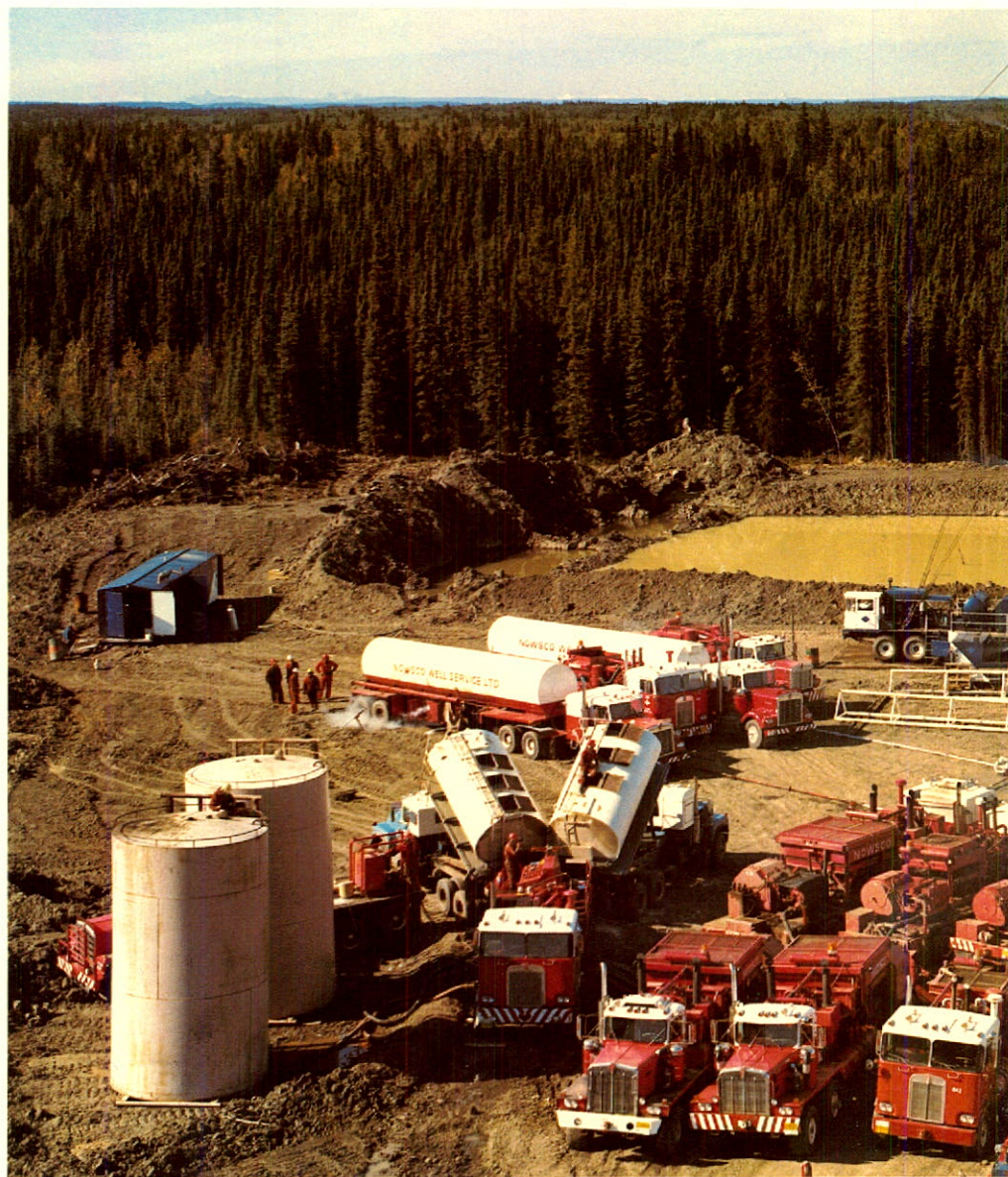
In 1982, we recorded over \$3 million of equipment sales being the completion of the 1981 sale to India which included 13 custom built mobile units for stimulation

purposes plus spare parts, chemicals and training. The 1981 sales contracts to India and Pakistan continued to bring in revenue through the ongoing transfer of training and technology by our personnel stationed in these countries.

Our Fabrication, Training and Research and Development

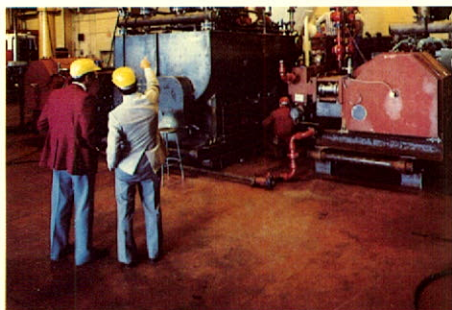


*An atomized acid job in progress May, 1967.*

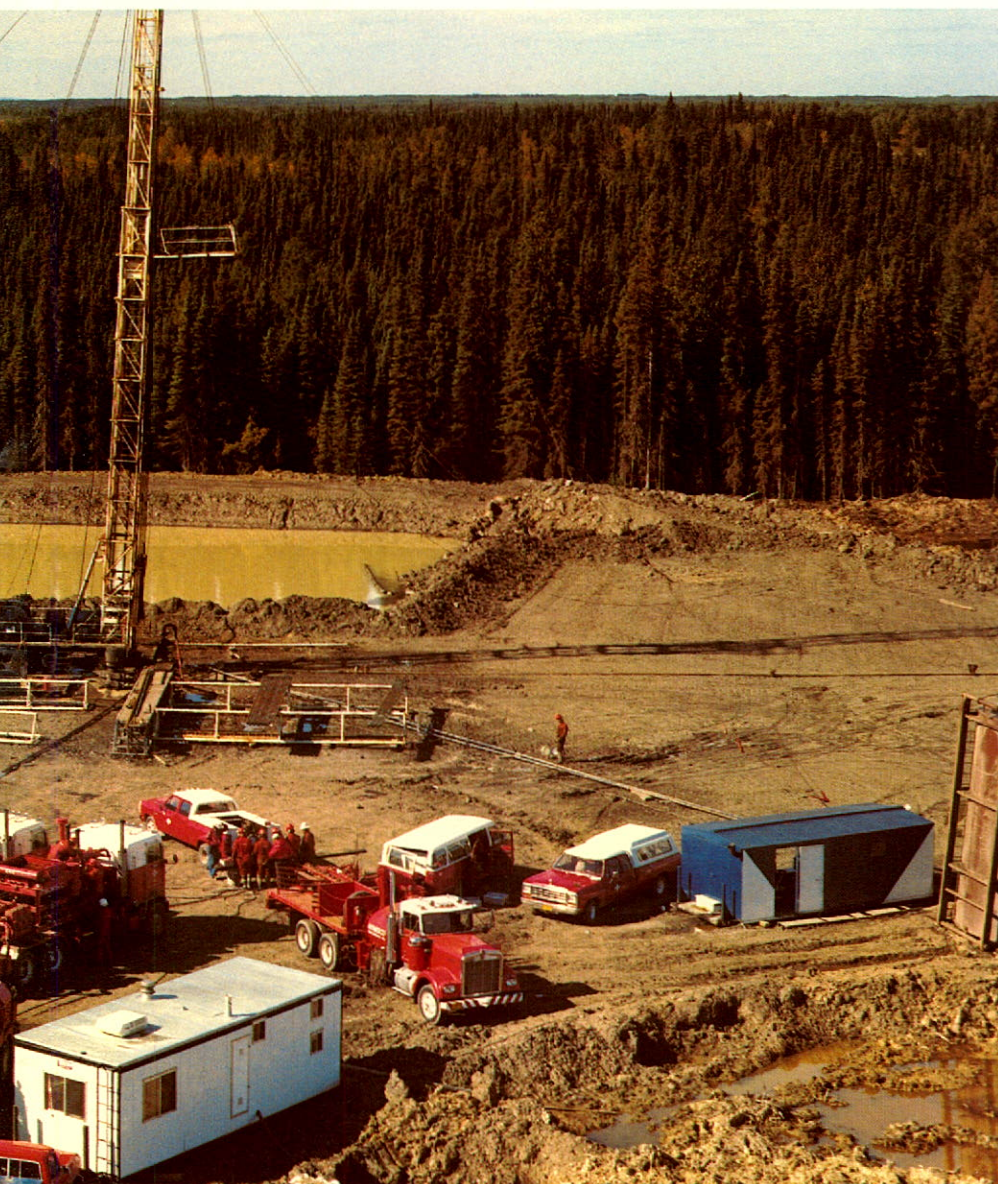


Centre continued to prove itself as a major element of our operations in 1982. Since opening in 1979, the fabrication division has worked on more than \$31 million worth of equipment — either totally fabricated according to our engineers' latest designs, or re-built, modified, or had major repair work done — all in keeping with management's commitment to





*Off-shore equipment being manufactured in our Calgary plant.*



*Two CO<sub>2</sub> units on a lease in central Alberta.*

*Preparation for a Carbonated Frac Treatment in west central Alberta.*

**In 1972, the first offering of shares to the public raised \$1,585,000 on an issue of 250,000 shares.**

have the most modern and technically advanced well-servicing equipment available.

Nowasco's ability to maintain its position as an industry leader is also due to the experience and skill of its employees. To maintain this high level of competence, Nowasco operates an extensive training program involving class-room theory as well as hands-on technical

training using actual equipment on our 1000 foot on-site test well. This training covers all levels from new employee to a highly technical senior level of instruction and was extended to over 100 customers as well as over 350 of our own employees throughout the year.

Nowasco's commitment to continued improvement of today's

technology and advancement of our industry-related knowledge is borne out in two areas. The first is our Special Services Division — a group formed in 1979 to provide our customers with a team of highly experienced individuals to advise and work on more technically specialized jobs. This team has been responsible for the





*NowSCO's first acid truck, 1965.*

development and use of the Frac Van — a unit which in effect becomes the control centre of any large Fracturing job and from which NowSCO's engineers and the customer can constantly monitor the job in progress.

Another recent development, the now patented Helium Leak Detection System, is also run by this team of specialists. This system can detect a leak in a closed system of one cubic foot of gas in 100 years and is both portable and fast. The latest endeavours in 1982 have included the utilization of "chip" technology in the design

**In 1973, NowSCO established a base at Great Yarmouth in the U.K. and performed its first off-shore operation in the North Sea.**

and manufacture of circuit boards to provide custom electronic instrumentation for field equipment.

The second area is our continued joint venture in the computer simulation of hydraulic fracturing and, of course, the continued efforts of our Research and Development Laboratory. Here, in-depth studies into all phases of the Company's field treatment procedures are carried out as well as providing specific solutions to individual well conditions. They have developed new equipment with field applications such as the HPT Rheometer and the Portable Curing Chamber as well as having major



successes in the development and improvement of products such as foamed cement and gelled acidizing and fracturing fluids.

Many of these advancements have application in conventional situations but are of particular importance to offshore operations where many of the existing procedures are not satisfactory.

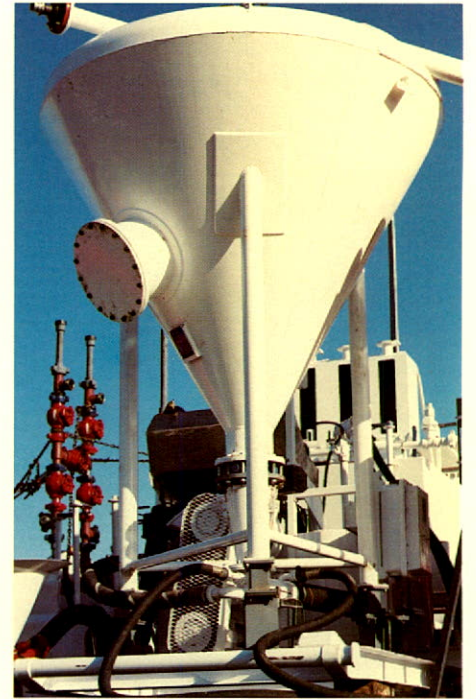
During 1982, we signed our second contract with one of the major oil companies for custom built equipment to be permanently mounted on their off-shore platforms to perform cementing and related operations.

The increasing emphasis being placed on development of offshore resources has led NowSCO to





*Nowasco's new Chemical Blending Plant in Calgary.*



*Equipment ready to be shipped from our Calgary Fabrication Plant for off-shore cementing.*

*One of our bulk plant facilities serving off-shore East Coast Canada.*

**In 1975, Nowasco developed and introduced Foam Fracturing to the Canadian market and established a base at Vechta, West Germany.**

make a considerable commitment to the East Coast of Canada with operations bases in both St. Johns, Newfoundland and Dartmouth, Nova Scotia. In St. Johns, we have a laboratory fully equipped for all standard cement testing and water analysis and in Nova Scotia, we have two bulk plant facilities in Dartmouth and Mulgrave as well as warehouse facilities and offices.

Both of these stations have shown good growth during 1982 and we expect this trend to continue as offshore development gains momentum.

Our major expansion during 1982 has been in the Appalachian region of the United States. The year began with locations in Wooster, Ohio and Clarksburg, West

Virginia with a staff of fifty-five. During 1982 stations were established in Parkersburg, West Virginia; Columbia, Kentucky and Crossville, Tennessee to better serve our customers. At year-end the division had in excess of 130



employees and the fleet had grown to the extent that a full range of products, services and support were available. The growth pattern of this operation, although somewhat tempered by the current economic conditions in the U.S., is encouraging and as acceptance by the industry promises an increasing share of the market, we look forward to continued sales growth in this area.

NowSCO's other major operating segments are its subsidiaries in

### **In 1977, a base in S.E. Asia was established in Singapore.**

Europe and S.E. Asia, both of which are becoming more significant due to their own growth and the decline in the North American market.

In S.E. Asia our stimulation barge, Super Stimulator II, continued work on its new contract performing stimulation, sand cleanout and workovers in the South China Seas.

Work was interrupted in the first quarter of 1982 to enable the Super Stimulator II to be taken into drydock to meet regulatory marine requirements. At the same time extensive overhauling and refurbishing work was carried out, including the addition of a new "Flume" stabilization system to enable the barge to work in more adverse sea conditions than previously. This has added significantly to the efficiency of the work done under this contract.

*The Super Stimulator II awaiting dry-docking in Singapore.*



Expansion in S.E. Asia was also undertaken in both off-shore and land-based operations in Indonesia, Thailand and Malaysia using skid-mounted equipment. Further equipment was fabricated at our Calgary Plant and delivered during 1982 to meet the continuing demand for our services in this region.

Our European operations also continue to show good growth and 1982 has seen both geographical expansion as well as technological advancements.

A new facility in Aberdeen became operational to better serve the North Sea off-shore requirements. We also opened a base and became operational in Pau, France and successfully





*Nowasco's new operating base at Ravenna, Italy.*



completed two workover campaigns in Tunisia. Two new European operating subsidiaries were also incorporated in Stavanger, Norway and Den Helder, Holland, adding to existing European locations in Great Yarmouth, Aberdeen and Leeds in the U.K.; Vechta, West Germany and Ravenna, Italy. In Ravenna we also completed the purchase of a new

operations facility which will greatly enhance operations in that area.

The European operations have essentially advanced the leak detection systems to their present state and their continued and increasing acceptance by the industry as a reliable, economic service is a result of the experience and dedication of our operating staff in Europe. The European market



*Pulling frac equipment onto a lease in the Appalachian area of the U.S.A.*

*"Bleeding the lines" after a nitrogen-frac in West Virginia, U.S.A.*

**In 1979, Nowasco opened the Fabrication, Research and Training Centre in Calgary and developed the Helium Leak Detection System.**

is also often the forerunner of many industrial applications of our technology such as nitrogen purging and the use of high expansion foam for the purging of storage vessels. Other firsts achieved in Europe during 1982 were the first coiled tubing job on a floating drillship and the first off-shore foamed sand cleanout in the North Sea.



The climate under which 1982 results were achieved was a deepening of the 1981 condition of world-wide economic down-turn and the continued effects of the Canadian National Energy Policy. Sales increased 3.8% to \$146,217,000 and net earnings decreased 10.4% to \$15,079,000.

Our non-domestic operations made a strong contribution and continue to show good growth with revenue of \$57,172,000, being an increase of 59.3% over last year, and net income before minority interest of \$6,794,000 up 13.7% over last year. This is an encouraging growth pattern, tempered however by the weakening of the European currencies against the Canadian dollar in 1982. In S.E. Asia, we had effectively only 10 months of operations because of the extensive drydocking and overhauling done on our stimulation barge in the first quarter.

The interest expense increase of 143.1% to \$3,899,000 was due

**In 1980, Newsco opened a base in Italy and in 1981 made its first significant export sales to India and Pakistan.**

equally to the expansion in the U.S. and in Europe. Although lending rates have lowered in the latter part of 1982 the cost of borrowing money in the first three quarters contributed significantly to this figure. The capital expenditure program in our U.S. operations

was also the principal cause for the increase in long term debt of \$7,382,000.

Material and operating costs of \$90,501,000 reflect only a slight increase, despite the new U.S. operations and the increased activity in both Europe and S.E. Asia.

General and administrative costs increased 17.8% to \$12,284,000 as

a result of the high cost of setting up and maintaining the expansion of the U.S. operation and the growth we are experiencing in the foreign subsidiaries.

Newsco's continuing commitment to capital expansion is reflected in the 1982 depreciation expense increase of 29.1% or \$2,275,000 over 1981 and is emphasized by the fact that 116.6% of cash flow from operations (net income before deducting non cash

## QUARTERLY FINANCIAL RESULTS

	March 31
<b>1982</b>	
Sales .....	\$41,331,000
Cost of Sales/Operations .....	29,677,000
Depreciation .....	2,189,000
Income Before Income Tax and Minority Interest .....	9,465,000
Income Taxes .....	4,113,000
Minority Interest .....	546,000
Net Income .....	\$ 4,806,000
Net Income Per Share .....	\$ .36
<b>1981</b>	
Sales .....	\$45,686,000
Cost of Sales/Operations .....	30,320,000
Depreciation .....	1,526,000
Income Before Income Tax and Minority Interest .....	13,840,000
Income Taxes .....	5,532,000
Minority Interest .....	702,000
Net Income .....	\$ 7,606,000
Net Income Per Share .....	\$ .57

The Company maintains listings of its stock on The Toronto Stock Exchange (Symbol NWS) and the O.T.C. market of the NASDAQ system in the U.S. (Symbol NWELF).



## FOR THE THREE MONTHS ENDED

June 30	Sept. 30	Dec. 31	Total
\$27,272,000	\$33,586,000	\$44,028,000	\$146,217,000
22,226,000	24,608,000	30,173,000	106,684,000
2,442,000	2,518,000	2,951,000	10,100,000
2,604,000	6,460,000	10,904,000	29,433,000
619,000	2,350,000	3,943,000	11,025,000
869,000	990,000	924,000	3,329,000
\$ 1,116,000	\$ 3,120,000	\$ 6,037,000	\$ 15,079,000
\$ .08	\$ .23	\$ .45	\$1.12
\$27,290,000	\$33,135,000	\$34,739,000	\$140,850,000
21,717,000	24,308,000	25,877,000	102,222,000
1,816,000	2,160,000	2,323,000	7,825,000
3,757,000	6,667,000	6,539,000	30,803,000
1,233,000	2,793,000	1,501,000	11,059,000
931,000	638,000	637,000	2,908,000
\$ 1,593,000	\$ 3,236,000	\$ 4,401,000	\$ 16,836,000
\$ .11	\$ .24	\$ .33	\$1.25

items) or \$35,770,000 was spent on capital expansion. Cash flow from operations decreased 6.3% in 1982 to \$30,692,000. This also explains the Company's policy of minimal dividend payment which, in 1982, was \$3,649,000 representing a decrease of 24.7% over dividends in 1981. Per share dividends of \$0.27 in 1982 approximated 22% of trailing year's earnings.

The increase in the effective tax rate from 35.9% to 37.5% is due principally to the higher Research and Development tax deductions able to be claimed in 1981 together with increased earnings from jurisdictions with higher effective tax rates. Despite the lower Research and Development tax deduction available, the company in fact increased its Research and Development expenditures during 1982.

## FINANCIAL SECTION

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## CONSOLIDATED BALANCE SHEETS

	December 31	
	1982	1981
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and short-term deposits .....	\$ 5,709,000	\$ 6,216,000
Accounts receivable .....	29,343,000	25,780,000
Inventories .....	18,541,000	21,433,000
Prepaid expenses .....	1,329,000	1,994,000
	<u>54,922,000</u>	<u>55,423,000</u>
<b>Property, Plant and Equipment</b>		
Buildings .....	16,501,000	12,061,000
Equipment .....	110,971,000	83,439,000
	<u>127,472,000</u>	<u>95,500,000</u>
Less accumulated depreciation .....	25,714,000	17,119,000
	<u>101,758,000</u>	<u>78,381,000</u>
Land .....	3,184,000	2,629,000
	<u>104,942,000</u>	<u>81,010,000</u>

Approved by the Board

Director *J. P. Shouldell*

Director *N. A. Richardson*

\$159,864,000

\$136,433,000



	December 31	
	1982	1981
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank indebtedness .....	\$ 19,655,000	\$ 17,178,000
Accounts payable and accrued liabilities .....	15,326,000	15,313,000
Due to affiliates .....	271,000	1,114,000
Income taxes payable .....	5,192,000	1,954,000
Current maturities of long-term debt .....	371,000	3,384,000
	<u>40,815,000</u>	<u>38,943,000</u>
<b>Long-Term Debt</b> .....	12,951,000	6,044,000
<b>Deferred Income Taxes</b> .....	20,889,000	19,014,000
<b>Minority Interest in Consolidated Subsidiaries</b> .....	7,522,000	5,300,000
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b>		
Common shares without nominal or par value		
Authorized 48,000,000 shares		
13,522,045 shares issued and		
outstanding (1981 — 13,478,045) .....	2,908,000	2,816,000
<b>Retained Earnings</b> .....	75,746,000	64,316,000
<b>Equity Translation Adjustment</b> .....	(967,000)	—
	<u>77,687,000</u>	<u>67,132,000</u>
	<u><u>\$159,864,000</u></u>	<u><u>\$136,433,000</u></u>



## CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31	
	1982	1981
<b>Sales</b> .....	<b>\$146,217,000</b>	<b>\$140,850,000</b>
Material and operating expense .....	90,501,000	90,189,000
General and administrative .....	12,284,000	10,429,000
Interest .....	3,899,000	1,604,000
Depreciation .....	10,100,000	7,825,000
	<b>116,784,000</b>	<b>110,047,000</b>
<b>Net Income Before Income Taxes and Minority Interest</b> .....	<b>29,433,000</b>	<b>30,803,000</b>
<b>Income taxes</b>		
Current .....	8,841,000	5,889,000
Deferred .....	2,184,000	5,170,000
	<b>11,025,000</b>	<b>11,059,000</b>
<b>Net Income Before Minority Interest</b> .....	<b>18,408,000</b>	<b>19,744,000</b>
Minority interest in net income of consolidated subsidiaries .....	3,329,000	2,908,000
<b>Net Income for the Year</b> .....	<b>\$ 15,079,000</b>	<b>\$ 16,836,000</b>
Net income per common share .....	<b>\$1.12</b>	<b>\$1.25</b>

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Year Ended December 31	
	1982	1981
<b>Retained Earnings at Beginning of Year</b> .....	<b>\$ 64,316,000</b>	<b>\$ 52,328,000</b>
Net income for the year .....	15,079,000	16,836,000
	<b>79,395,000</b>	<b>69,164,000</b>
Dividends paid .....	3,649,000	4,848,000
<b>Retained Earnings at End of Year</b> .....	<b>\$ 75,746,000</b>	<b>\$ 64,316,000</b>

See notes to consolidated financial statements.



## CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31	
	1982	1981
<b>Source of working capital</b>		
Net income for the year .....	\$15,079,000	\$16,836,000
Add charges not requiring current outlay of working capital:		
Depreciation .....	10,100,000	7,825,000
Deferred income taxes .....	2,184,000	5,170,000
Minority interest .....	3,329,000	2,908,000
<b>Total From Operations</b> .....	<b>30,692,000</b>	<b>32,739,000</b>
Increase in long-term debt .....	7,382,000	5,212,000
Proceeds from issue of minority shares of a subsidiary .....	—	12,000
Proceeds from issue of share capital .....	92,000	152,000
<b>Total Provided</b> .....	<b>38,166,000</b>	<b>38,115,000</b>
<b>Use of working capital</b>		
Purchase of property, plant and equipment — net .....	35,770,000	25,397,000
Dividends paid .....	3,649,000	4,848,000
Minority dividends .....	411,000	433,000
Repayment of long-term debt .....	709,000	4,666,000
<b>Total Used</b> .....	<b>40,539,000</b>	<b>35,344,000</b>
<b>Increase (Decrease) in Working Capital</b> .....	<b>(2,373,000)</b>	<b>2,771,000</b>
<b>Working Capital at Beginning of Year</b> .....	<b>16,480,000</b>	<b>13,709,000</b>
<b>Working Capital at End of Year</b> .....	<b>\$14,107,000</b>	<b>\$16,480,000</b>
<b>Represented by</b>		
Current assets .....	54,922,000	55,423,000
Less current liabilities .....	40,815,000	38,943,000
	<b>\$14,107,000</b>	<b>\$16,480,000</b>

See notes to consolidated financial statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1982 and December 31, 1981

### NOTE A — SIGNIFICANT ACCOUNTING POLICIES

**Basis of Consolidation:** The consolidated financial statements include the accounts of the Company and its subsidiaries (hereinafter referred to as the "Company").

**Translation of Foreign Subsidiaries' Financial Statements:** Effective January 1, 1982, the Company changed its method of translating foreign subsidiaries' financial statements to adopt, on a prospective basis, a method whereby foreign currency amounts are translated from the foreign entity currency into Canadian dollars at the following rates: assets and liabilities at the rates prevailing at balance sheet date and revenues and expenses at the weighted average rates throughout the period. Adjustments arising from the translation are accumulated as a separate component of shareholders' equity.

In prior years, the Company translated current assets and liabilities at current rates, non-current assets and depreciation at historic rates and revenues and other expenses at weighted average rates throughout the period. Translation gains or losses were included in income.

The effect of this change of accounting policy on 1982 net income is not material.

**Revenue Recognition:** The company records revenue on equipment construction contracts by the percentage of completion method.

**Inventories:** Inventories are carried at cost determined under the first-in, first-out or average cost method. The aggregate of such inventories is not in excess of net realizable value.

**Property, Plant and Equipment:** Property, plant and equipment are stated at cost, normal repairs and maintenance costs are charged to income as incurred. Betterments and major renewals are capitalized. The cost of assets retired or otherwise disposed of and the related allowances for depreciation are eliminated from the accounts in the year of disposal and the resulting gain or loss is included in income at that time.

The provision for depreciation is computed principally using the straight-line method over the estimated useful lives of the assets (buildings and improvements — 10 to 40 years; equipment — 2 to 25 years).

**Capitalization of Interest:** Interest is capitalized on all costs incurred in construction of equipment and buildings.

**Income Taxes:** The Company follows the tax allocation method of accounting under which the income tax provision is based on reported net income. Full provision is made for income taxes deferred to future years as a result of claiming capital cost allowances for income tax purposes in excess of related depreciation provisions recorded in the accounts.

Investment tax credits are accounted for as a reduction in income tax expense in the year realized.

**Net Income per Common Share:** Net income per common share is based on the average number of shares outstanding during the year. Fully diluted earnings per share are not presented because the dilutive effect of common shares under option, if such options were exercised, would not be material.

**Comparative Financial Information:** Certain comparative financial information for the year ended December 31, 1981 has been reclassified to conform with the current year's presentation.

### NOTE B — BANK LOANS

Certain bank loans, included in bank indebtedness, are secured by an assignment of accounts receivable.



**NOTE C — LONG-TERM DEBT**

	1982	1981
Term bank loan due March, 1988, repayable in monthly instalments of \$49,000 plus interest at ½% over the bank minimum lending rate, secured by a floating charge demand debenture on certain land and other property and undertakings of the Company .....	\$ -0-	\$ 3,600,000
Term bank loan due December, 1991, repayable over five years in monthly instalments of \$146,000 U.S. commencing 1987 plus interest at ½% over the U.S. bank prime rate secured by certain equipment of the Company; repayable in U.S. funds of <b>\$8,739,000</b> (1981 — \$4,344,000) .....	<b>\$10,793,000</b>	\$ 5,147,000
Industrial Revenue Bond due December, 1992, repayable over ten years in semi-annual instalments of \$50,000 U.S. commencing 1983 plus interest at 75% of the U.S. bank minimum lending rate, secured by certain land and buildings of the Company located in West Virginia; repayable in U.S. funds of <b>\$1,000,000</b> .....	\$ 1,235,000	\$ -0-
Capital lease obligation, repayable over five years in monthly instalments of \$16,245 U.S.; repayable in U.S. funds of <b>\$888,000</b> .....	\$ 1,063,000	\$ -0-
Non interest bearing loan from a minority shareholder of a subsidiary, with no fixed terms of repayment; repaid in U.S. funds of <b>\$490,000</b> in 1982 .....	\$ -0-	\$ 581,000
Other .....	<b>\$ 231,000</b>	\$ 100,000
	<b>\$13,322,000</b>	\$ 9,428,000
Less current maturities, including estimated prepayments .....	<b>\$ 371,000</b>	\$3,384,000
	<b>\$12,951,000</b>	<b>\$ 6,044,000</b>

The aggregate principal repayments required in each of the four years subsequent to 1983, are as follows: 1984 — \$309,000; 1985 — \$324,000; 1986 — \$341,000; and 1987 — \$2,653,000. In addition, the company is entitled to make prepayments of any portion of the term bank loans. Interest on long-term debt was **\$940,000** in 1982 (1981 — \$787,000).

**NOTE D — SHARE CAPITAL**

Details of changes in issued share capital for the two years ended December 31, 1982, are:

	Number of Shares	Amount
Balance January 1, 1981 .....	13,428,945	\$2,664,000
Issued upon exercise of employee stock options .....	49,100	152,000
Balance December 31, 1981 .....	13,478,045	\$2,816,000
Issued upon exercise of employee stock options .....	44,000	92,000
Balance December 31, 1982 .....	<b>13,522,045</b>	<b>\$2,908,000</b>

Under the terms of the Incentive Stock Option Plan, options may be granted at the discretion of the board of directors to full-time officers, employees and directors of the Company at an option price equal to the market price of the Company's shares on the date of grant. The options are not assignable, are earned as to 20% of the total shares covered thereby for each full year of employment over a five year period commencing on the first anniversary of the date of grant and are exercisable over a ten year period.

The purchase price of Common Shares of the Company under options granted to certain directors, officers and key employees and outstanding as at December 31, 1982 ranged from \$0.5625 to \$22.00. The Company has reserved **14,300** shares (1981 — 27,800) for possible future allocations.

Changes in the number of common shares under option during the two years ended December 31, 1982 are summarized as follows:



	1982	1981
Outstanding, beginning of year .....	150,755	189,155
Granted .....	13,500	11,500
Cancelled .....	—	(800)
Exercised .....	(44,000)	(49,100)
Outstanding, end of year .....	120,255	150,755

#### NOTE E — CONTINGENCIES

The Income Tax Act provides tax incentives to Canadian corporations carrying on manufacturing and processing activities in the form of an accelerated capital cost allowance and a reduced rate of income tax (introduced into the Act in 1972) and investment tax credits (introduced into the Act in 1975). The Company has claimed these tax incentives since they were introduced into the Act.

Taxation authorities have carried out a review of the Company's business activities to determine whether, in their opinion, they qualify as manufacturing and processing activities. As a result of the review, the taxation authorities have concluded that the Company's business activities do not so qualify but have indicated that they will continue to treat them as such up to March 23, 1977.

In 1981, taxation authorities issued Notices of Reassessment in respect of the Company's 1977, 1978 and 1979 taxation years disallowing accelerated capital cost allowances and investment tax credits claimed by the Company on a substantial portion of its machinery and equipment on the basis that they do not constitute manufacturing and processing assets and disallowing the reduced rate of tax on income earned by the Company subsequent to March 23, 1977 on the basis that the Company's activities do not constitute manufacturing and processing activities.

The Company has filed Notices of Objection in respect to the Notices of Reassessment claiming continued entitlement to utilize the income tax incentives available to corporations carrying on manufacturing and processing activities.

The Notices of Reassessment claim additional income taxes and interest of approximately \$6,100,000 for the years reassessed. If the Company had computed its income tax provisions for the years subsequent to 1976 on the basis of the Notices of Reassessment, retained earnings at December 31, 1982 would be reduced by \$13,800,000.

The Company has received an opinion from special legal counsel that the Company's business activities constitute manufacturing and processing activities and that the Company's machinery and equipment constitute manufacturing and processing machinery and equipment. Management of the Company is of the firm opinion that the Company's tax returns, as filed, are substantially correct. Accordingly, no provision has been made in the Company's accounts to reflect any position other than the Company's continued entitlement to claim the tax incentives available to Canadian corporations carrying on manufacturing and processing activities.

The Company has outstanding letters of credit totalling \$7,600,000 relating to income tax reassessments referred to above.

On December 1, 1982, the Company was named as defendant in an action alleging infringement of patent rights on certain oil well equipment. The claim is for injunctive relief together with punitive damages. In the opinion of management, the claim is entirely without merit and no provision has been made in the Company's accounts.

#### NOTE F — RETIREMENT PLANS

The Company has retirement plans which cover substantially all employees. The contributions by employees, together with those made by the Company, are deposited with trustees according to terms of the plan. Pensions at retirement are related to remuneration and years of service.

As at July 1, 1982, an actuarial revaluation of the plans indicated that no unfunded past service pension liability existed. The plans were amended during the year to allow for reduced funding costs without resulting in substantial changes to the benefits.

#### NOTE G — RELATED PARTY TRANSACTIONS

During 1982 purchases of inventory of **\$1,408,000** (1981 — \$1,917,000) were made from affiliated companies. There were no purchases of property and equipment from affiliated companies in 1982 (1981 — \$956,000). The amount owing on these transactions as at December 31, 1982 was **\$271,000** (1981 — \$1,114,000). All of these transactions arose in the normal course of operations.

#### NOTE H — REMUNERATION OF SENIOR OFFICERS AND DIRECTORS

Aggregate direct remuneration of senior officers and directors amounted to **\$912,000** in 1982 and \$628,000 in 1981.



**NOTE I — SEGMENTED INFORMATION**

The Company provides specialized products and equipment to the oil and gas industry for use during the drilling, completion and production stages of oil and gas wells.

**Geographic Segments:** The Company has identified three geographic segments; Canada, U.K./Europe and Other, which includes operations in S.E. Asia and the United States.

The following information relates to the geographic segments:

<b>1982</b>	<b>Canada</b>	<b>UK/Europe</b>	<b>Other</b>	<b>Total</b>
Sales .....	<u>\$ 89,045,000</u>	<u>\$25,244,000</u>	<u>\$31,928,000</u>	<u>\$146,217,000</u>
Income before income taxes and minority interest .....	<u>\$ 17,911,000</u>	<u>\$ 7,567,000</u>	<u>\$ 3,955,000</u>	<u>\$ 29,433,000</u>
Net income for the year .....				<u>\$ 15,079,000</u>
Total assets .....	<u>\$ 85,458,000</u>	<u>\$38,630,000</u>	<u>\$35,776,000</u>	<u>\$159,864,000</u>
<b>1981</b>	<b>Canada</b>	<b>UK/Europe</b>	<b>Other</b>	<b>Total</b>
Sales .....	<u>\$104,960,000</u>	<u>\$19,104,000</u>	<u>\$16,786,000</u>	<u>\$140,850,000</u>
Income before income taxes and minority interest .....	<u>\$ 22,155,000</u>	<u>\$ 6,166,000</u>	<u>\$ 2,482,000</u>	<u>\$ 30,803,000</u>
Net income for the year .....				<u>\$ 16,836,000</u>
Total assets .....	<u>\$ 88,230,000</u>	<u>\$25,314,000</u>	<u>\$22,889,000</u>	<u>\$136,433,000</u>

**AUDITORS' REPORT**

To the Shareholders  
Nowsco Well Service Ltd.

We have examined the consolidated balance sheets of Nowsco Well Service Ltd. as at December 31, 1982 and December 31, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1982 and December 31, 1981 and the results of its operations and the changes in its financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Alberta  
February 16, 1983

*Ernst + Whinney*

Chartered Accountants



# TEN YEAR REVIEW

	1982	1981	1980	1979
<b>INCOME</b>				
Sales .....	<u>\$146,217,000</u>	<u>\$140,850,000</u>	<u>\$135,544,000</u>	<u>\$81,144,000</u>
<b>EXPENSES</b>				
Material and operating expense . . .	90,501,000	90,189,000	84,733,000	52,608,000
General, administrative and interest	16,183,000	12,033,000	8,507,000	6,567,000
Depreciation .....	10,100,000	7,825,000	5,270,000	3,812,000
	<u>116,784,000</u>	<u>110,047,000</u>	<u>98,510,000</u>	<u>62,987,000</u>
Net income before income taxes and minority interest .....	29,433,000	30,803,000	37,034,000	18,157,000
Income taxes .....	11,025,000	11,059,000	14,270,000	7,538,000
Minority interest .....	3,329,000	2,908,000	2,423,000	33,000
<b>NET INCOME</b> .....	<u>\$ 15,079,000</u>	<u>\$ 16,836,000</u>	<u>\$ 20,341,000</u>	<u>\$10,586,000</u>
Net income per share .....	\$1.12	\$1.25	\$1.51	\$ .79
Cash flow from operations .....	\$ 30,692,000	\$ 32,739,000	\$ 31,941,000	\$16,107,000
Working capital .....	\$ 14,107,000	\$ 16,480,000	\$ 13,709,000	\$ 5,094,000
Capital expenditures — net .....	\$ 35,770,000	\$ 25,397,000	\$ 19,823,000	\$15,654,000
Dividends .....	\$ 3,649,000	\$ 4,848,000	\$ 2,683,000	\$ 1,596,000
Shares Outstanding .....	13,522,000	13,478,000	13,429,000	13,329,000
Number of employees .....	1,048	1,020	983	783



1978	1977	1976	1975	1974	1973
<u>\$65,184,000</u>	<u>\$42,237,000</u>	<u>\$30,310,000</u>	<u>\$21,066,000</u>	<u>\$13,881,000</u>	<u>\$10,084,000</u>
42,457,000	26,226,000	18,351,000	12,615,000	8,274,000	6,153,000
5,585,000	3,258,000	2,598,000	1,546,000	1,075,000	688,000
3,094,000	1,844,000	1,176,000	986,000	711,000	428,000
<u>51,136,000</u>	<u>31,328,000</u>	<u>22,125,000</u>	<u>15,147,000</u>	<u>10,060,000</u>	<u>7,269,000</u>
14,048,000	10,909,000	8,185,000	5,919,000	3,821,000	2,815,000
5,455,000	4,416,000	3,323,000	2,546,000	1,573,000	1,187,000
407,000	364,000	49,000	64,000	37,000	(23,000)
<u>\$ 8,186,000</u>	<u>\$ 6,129,000</u>	<u>\$ 4,813,000</u>	<u>\$ 3,309,000</u>	<u>\$ 2,211,000</u>	<u>\$ 1,651,000</u>
\$ .62	\$ .47	\$ .37	\$ .26	\$ .17	\$ .13
\$13,483,000	\$10,669,000	\$ 6,896,000	\$ 5,178,000	\$ 3,847,000	\$ 2,785,000
\$ 5,349,000	\$ 4,201,000	\$ 4,142,000	\$ 3,247,000	\$ 1,762,000	\$ 1,447,000
\$16,220,000	\$ 9,917,000	\$ 5,590,000	\$ 3,374,000	\$ 3,541,000	\$ 3,035,000
\$ 1,215,000	\$ 769,000	\$ 437,000	\$ 433,000	\$ —	\$ —
13,284,000	13,218,000	12,104,000	13,068,000	12,924,000	12,924,000
638	470	312	259	192	161



**Canada****Alberta**

Red Deer  
Edmonton  
Calgary  
Medicine Hat  
Brooks  
Whitecourt  
Peace River  
High Level  
Drayton Valley  
Lloydminster  
Lac La Biche  
Grande Prairie  
Slave Lake

**British Columbia**

Fort. St. John  
Ft. Nelson

**Saskatchewan**

Kindersley  
Estevan  
Swift Current

**Manitoba**

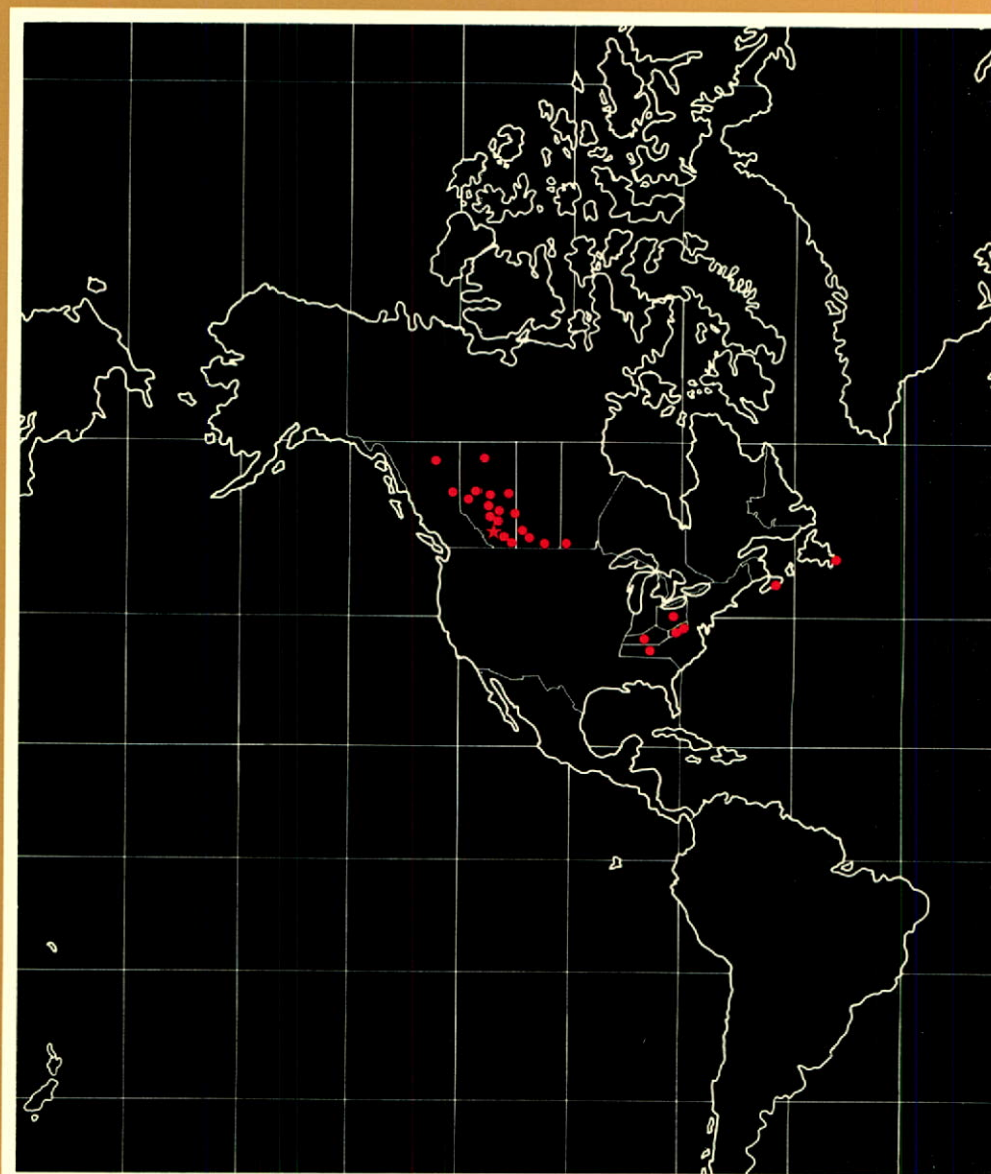
Waskada

**Newfoundland**

St. John's

**Nova Scotia**

Dartmouth







## International

### United States

#### Ohio

Wooster

#### West Virginia

Clarksburg

Parkersburg

#### Kentucky

Columbia

#### Tennessee

Crossville

### U.K. and Europe

Great Yarmouth, U.K.

Aberdeen, U.K.

Leeds, U.K.

Vechta, West Germany

Pau, France

Ravenna, Italy

Stavanger, Norway

Den Helder, Netherlands

### S.E. Asia

Singapore

Kuala Belait





*Standing (left to right) D. J. Magus, M. E. Jones, R. A. Plummer, T. E. Sands, A. J. Day.  
Seated (left to right) C. F. Dow, D. A. Richardson, H. K. Smith, S. P. Shouldice.  
Missing from picture — W. M. Boren.*

*Board of Directors*



## Board of Directors

WILLIAM M. BOREN Houston, Texas	Vice Chairman of the Board Big Three Industries Inc.
ALAN J. DAY Calgary, Alberta	Vice President of Finance of the Company
CLIFFORD F. DOW Wooster, Ohio	Vice President and General Manager of the U.S. Operations of the Company
MACLEAN E. JONES Calgary, Alberta	Senior Partner, Bennett Jones Barristers and Solicitors
DAVID J. MAGUS Calgary, Alberta	Vice President of Engineering and Assistant Operations Manager of the Company
RAYMOND A. PLUMMER Houston, Texas	President, Newsco Services Division of Big Three Industries, Inc.
DOUGLAS A. RICHARDSON Calgary, Alberta	Senior Vice President and Operations Manager of the Company
THOMAS E. SANDS Houston, Texas	Financial Vice President and Treasurer Big Three Industries, Inc.
S. PATRICK SHOULDICE Calgary, Alberta	President and Chief Executive Officer of the Company
HARRY K. SMITH Houston, Texas	Chairman of the Board Big Three Industries, Inc.

## Officers

HARRY K. SMITH	Chairman of the Board
S. PATRICK SHOULDICE	President and Chief Executive Officer
DOUGLAS A. RICHARDSON	Senior Vice President
CLIFFORD F. DOW	Vice President
DAVID J. MAGUS	Vice President
ALAN J. DAY	Vice President
GRANT TREVATHAN	Assistant Secretary



## SUBSIDIARY COMPANIES

	Percentage of Ownership
NowSCO of Canada Ltd. ....	100%
NowSCO Well Service Europe BV ....	100%
NowSCO International Limited ....	100%
BOC — NOWSCO Limited ....	51%
BOC — NOWSCO Oilfield Services GmbH ....	51%
BOC — NOWSCO (S.E. Asia) Pte Ltd. ....	51%
BOC — NOWSCO International Limited ....	51%
BOC — NOWSCO S.r.l. ....	51%
BOC — NOWSCO COMPANY LIMITED ....	51%
BOC — NOWSCO BV ....	51%
BOC — NOWSCO Norge A/S. ....	51%

REGISTRAR AND TRANSFER AGENT	The Canada Trust Company, Vancouver, Calgary, Regina, Winnipeg, Toronto and Montreal
SOLICITORS	Bennett Jones, 3200 Shell Centre, 400 - Fourth Avenue, S.W., Calgary, Alberta
BANKER	Canadian Imperial Bank of Commerce, 715 - Fifth Avenue, S.W., Calgary, Alberta
AUDITORS	Ernst and Whinney Chartered Accountants, 1400 Standard Life Building 639 - Fifth Avenue, S.W., Calgary, Alberta
STOCK LISTED	Toronto Stock Exchange NASDAQ
HEAD OFFICE	900, 715 - Fifth Avenue, S.W., Calgary, Alberta







