Noble Corp plc
Form 10-Q
May 05, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: March 31, 2016

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number: 001-36211

Noble Corporation plc

(Exact name of registrant as specified in its charter)

England and Wales (Registered Number 08354954)	98-0619597
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

Devonshire House, 1 Mayfair Place, London, England, W1J8AJ

(Address of principal executive offices) (Zip Code)

Registrant’s Telephone Number, Including Area Code: +44 20 3300 2300

Commission file number: 001-31306

Noble Corporation

(Exact name of registrant as specified in its charter)

Cayman Islands	98-0366361
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

Suite 3D Landmark Square, 64 Earth Close, P.O. Box 31327 George Town, Grand Cayman, Cayman Islands, KY1-1206

(Address of principal executive offices) (Zip Code)

Registrant’s Telephone Number, Including Area Code: (345) 938-0293

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R No o

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R No o

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Noble Corporation plc:	Large accelerated filer R	Accelerated filer £	Non-accelerated filer £	Smaller reporting company £
Noble Corporation:	Large accelerated filer £	Accelerated filer £	Non-accelerated filer R	Smaller reporting company £

Indicate by check mark whether each registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No R

Number of shares outstanding and trading at April 22, 2016: Noble Corporation plc —243,213,745

Number of shares outstanding: Noble Corporation — 261,245,693

Noble Corporation, a Cayman Islands company and a wholly owned subsidiary of Noble Corporation plc, a public limited company incorporated under the laws of England and Wales, meets the conditions set forth in General Instructions H(1) (a) and (b) to Form 10-Q and is therefore filing this Quarterly Report on Form 10-Q with the reduced disclosure format contemplated by paragraphs (b) and (c) of General Instruction H(2) of Form 10-Q.

TABLE OF CONTENTS

This combined Quarterly Report on Form 10-Q is separately filed by Noble Corporation plc, a public limited company incorporated under the laws of England and Wales ("Noble-UK"), and Noble Corporation, a Cayman Islands company ("Noble-Cayman"). Information in this filing relating to Noble-Cayman is filed by Noble-UK and separately by Noble-Cayman on its own behalf. Noble-Cayman makes no representation as to information relating to Noble-UK (except as it may relate to Noble-Cayman) or any other affiliate or subsidiary of Noble-UK. Since Noble-Cayman meets the conditions specified in General Instructions H(1)(a) and (b) to Form 10-Q, it is permitted to use the reduced disclosure format for wholly-owned subsidiaries of reporting companies as stated in General Instructions H(2). Accordingly, Noble-Cayman has omitted from this report the information called for by Item 3 (Quantitative and Qualitative Disclosures about Market Risk) of Part I of Form 10-Q and the following items of Part II of Form 10-Q: Item 2 (Unregistered Sales of Equity Securities and Use of Proceeds) and Item 3 (Defaults upon Senior Securities).

This report should be read in its entirety as it pertains to each Registrant. Except where indicated, the Consolidated Financial Statements and related Notes are combined. References in this Quarterly Report on Form 10-Q to “Noble,” the “Company,” “we,” “us,” “our” and words of similar meaning refer collectively to Noble-UK and its consolidated subsidiaries, including Noble-Cayman.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOBLE CORPORATION PLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$236,198	$512,245
Accounts receivable	506,017	498,931
Taxes receivable	55,326	55,525
Prepaid expenses and other current assets	154,478	173,917
Total current assets	952,019	1,240,618
Property and equipment, at cost	14,100,263	14,056,323
Accumulated depreciation	(2,712,587)	(2,572,700)
Property and equipment, net	11,387,676	11,483,623
Other assets	115,217	141,404
Total assets	$12,454,912	$12,865,645
LIABILITIES AND EQUITY		
Current liabilities		
Current maturities of long-term debt	$299,523	$299,924
Accounts payable	142,955	223,221
Accrued payroll and related costs	53,278	81,464
Taxes payable	92,694	87,940
Interest payable	42,033	72,961
Other current liabilities	98,469	98,074
Total current liabilities	728,952	863,584
Long-term debt	3,864,060	4,162,638
Deferred income taxes	70,750	92,797
Other liabilities	299,737	324,396
Total liabilities	4,963,499	5,443,415
Commitments and contingencies		
Shareholders' equity		
Shares; 243,212 and 241,977 shares outstanding	2,432	2,420

Additional paid-in capital	630,371	628,483
Retained earnings	6,199,112	6,131,501
Accumulated other comprehensive loss	(60,638)	(63,175)
Total shareholders' equity	6,771,277	6,699,229
Noncontrolling interests	720,136	723,001
Total equity	7,491,413	7,422,230
Total liabilities and equity	$12,454,912	$12,865,645

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Operating revenues		
Contract drilling services	$591,367	$779,361
Reimbursables	20,606	24,981
	611,973	804,342
Operating costs and expenses		
Contract drilling services	251,248	321,750
Reimbursables	16,006	20,157
Depreciation and amortization	149,719	154,138
General and administrative	19,540	23,938
	436,513	519,983
Operating income	175,460	284,359
Other income (expense)		
Interest expense, net of amount capitalized	(57,100)	(49,044)
Interest income and other, net	(730)	6,582
Income before income taxes	117,630	241,897
Income tax benefit (provision)	6,503	(43,447)
Net income	124,133	198,450
Net income attributable to noncontrolling interests	(18,648)	(20,047)
Net income attributable to Noble Corporation plc	$105,485	$178,403
Per share data:		
Basic:	$0.42	$0.72
Diluted:	$0.42	$0.72

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Net income	$124,133	$198,450
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	768	(3,299)
Foreign currency forward contracts	986	(3,145)
Amortization of deferred pension plan amounts (net of tax provision of $409 and $566 for the three months ended March 31, 2016 and 2015)	783	1,081
Other comprehensive income (loss), net	2,537	(5,363)
Net comprehensive income attributable to noncontrolling interests	(18,648)	(20,047)
Comprehensive income attributable to Noble Corporation plc	$108,022	$173,040

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31, 2016	2015
Cash flows from operating activities		
Net income	$124,133	$198,450
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	149,719	154,138
Deferred income taxes	(22,513)	(10,164)
Amortization of share-based compensation	10,958	11,400
Net change in other assets and liabilities	(87,496)	14,758
Net cash from operating activities	174,801	368,582
Cash flows from investing activities		
Capital expenditures	(51,357)	(89,307)
Change in accrued capital expenditures	(37,967)	(29,010)
Proceeds from disposal of assets	3,031	—
Net cash from investing activities	(86,293)	(118,317)
Cash flows from financing activities		
Net change in borrowings outstanding on bank credit facilities	—	(1,099,497)
Repayment of long-term debt	(300,000)	—
Issuance of senior notes	—	1,092,728
Debt issuance costs on senior notes and credit facilities	—	(14,775)
Dividends paid to noncontrolling interests	(21,513)	(19,369)
Repurchases of shares	—	(100,630)
Dividend payments	(37,546)	(92,855)
Employee stock transactions	(5,496)	(2,174)
Net cash from financing activities	(364,555)	(236,572)
Net change in cash and cash equivalents	(276,047)	13,693
Cash and cash equivalents, beginning of period	512,245	68,510
Cash and cash equivalents, end of period	$236,198	$82,203

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

	Shares Balance	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
Balance at December 31, 2014	247,501	$ 2,475	$ 695,638	$ 5,936,035	$ (69,418)	$ 722,304	$ 7,287,034
Employee related equity activity							
Amortization of share-based compensation	—	—	11,400	—	—	—	11,400
Issuance of share-based compensation shares	670	7	(4,095)	—	—	—	(4,088)
Tax benefit of equity transactions	—	—	(2,181)	—	—	—	(2,181)
Repurchases of shares	(6,209)	(62)	(100,568)	—	—	—	(100,630)
Net income	—	—	—	178,403	—	20,047	198,450
Dividends paid to noncontrolling interests	—	—	—	—	—	(19,369)	(19,369)
Dividends	—	—	—	(92,855)	—	—	(92,855)
Other comprehensive loss, net	—	—	—	—	(5,363)	—	(5,363)
Balance at March 31, 2015	241,962	$ 2,420	$ 600,194	$ 6,021,583	$ (74,781)	$ 722,982	$ 7,272,398
Balance at December 31, 2015	241,977	$ 2,420	$ 628,483	$ 6,131,501	$ (63,175)	$ 723,001	$ 7,422,230
Employee related equity activity							
Amortization of share-based compensation	—	—	10,958	—	—	—	10,958
Issuance of share-based compensation shares	1,235	12	(3,562)	—	—	—	(3,550)

Tax benefit of equity transactions	—	—	(5,508)	—	—	—	(5,508)
Net income	—	—	—	105,485	—	18,648	124,133
Dividends paid to noncontrolling interests	—	—	—	—	—	(21,513)	(21,513)
Dividends	—	—	—	(37,874)	—	—	(37,874)
Other comprehensive income, net	—	—	—	—	2,537	—	2,537
Balance at March 31, 2016	243,212	$ 2,432	$ 630,371	$ 6,199,112	$ (60,638)	$ 720,136	$ 7,491,413

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$235,423	$511,795
Accounts receivable	506,017	498,931
Taxes receivable	55,317	55,442
Prepaid expenses and other current assets	150,967	168,469
Total current assets	947,724	1,234,637
Property and equipment, at cost	14,098,497	14,054,558
Accumulated depreciation	(2,712,173)	(2,572,331)
Property and equipment, net	11,386,324	11,482,227
Other assets	106,134	132,319
Total assets	$12,440,182	$12,849,183
LIABILITIES AND EQUITY		
Current liabilities		
Current maturities of long-term debt	$299,523	$299,924
Accounts payable	141,117	221,077
Accrued payroll and related costs	52,954	81,364
Taxes payable	92,845	88,108
Interest payable	42,033	72,961
Other current liabilities	98,081	96,331
Total current liabilities	726,553	859,765
Long-term debt	3,864,060	4,162,638
Deferred income taxes	70,750	92,797
Other liabilities	294,852	319,512
Total liabilities	4,956,215	5,434,712
Commitments and contingencies		
Shareholder equity		
Ordinary shares; 261,246 shares outstanding	26,125	26,125
Capital in excess of par value	570,428	561,309
Retained earnings	6,227,916	6,167,211
Accumulated other comprehensive loss	(60,638)	(63,175)
Total shareholder equity	6,763,831	6,691,470
Noncontrolling interests	720,136	723,001
Total equity	7,483,967	7,414,471
Total liabilities and equity	$12,440,182	$12,849,183

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands)

(Unaudited)

	Three Months Ended March 31, 2016	2015
Operating revenues		
Contract drilling services	$591,367	$779,361
Reimbursables	20,606	24,981
Other	600	—
	612,573	804,342
Operating costs and expenses		
Contract drilling services	249,290	319,479
Reimbursables	16,006	20,157
Depreciation and amortization	149,673	153,866
General and administrative	10,605	12,208
	425,574	505,710
Operating income	186,999	298,632
Other income (expense)		
Interest expense, net of amount capitalized	(57,100)	(49,044)
Interest income and other, net	(733)	6,448
Income before income taxes	129,166	256,036
Income tax benefit (provision)	6,503	(43,558)
Net income	135,669	212,478
Net income attributable to noncontrolling interests	(18,648)	(20,047)
Net income attributable to Noble Corporation	$117,021	$192,431

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Net income	$135,669	$212,478
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	768	(3,299)
Foreign currency forward contracts	986	(3,145)
Amortization of deferred pension plan amounts (net of tax provision of $409 and $566 for the three months ended March 31, 2016 and 2015, respectively	783	1,081
Other comprehensive income (loss), net	2,537	(5,363)
Net comprehensive income attributable to noncontrolling interests	(18,648)	(20,047)
Comprehensive income attributable to Noble Corporation	$119,558	$187,068

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities		
Net income	$135,669	$212,478
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	149,673	153,866
Deferred income taxes	(22,513)	(10,164)
Capital contribution by parent - share-based compensation	9,119	7,348
Net change in other assets and liabilities	(84,198)	(4,505)
Net cash from operating activities	187,750	359,023
Cash flows from investing activities		
Capital expenditures	(51,357)	(89,307)
Change in accrued capital expenditures	(37,967)	(29,010)
Proceeds from disposal of assets	3,031	—
Net cash from investing activities	(86,293)	(118,317)
Cash flows from financing activities		
Net change in borrowings outstanding on bank credit facilities	—	(1,099,497)
Repayment of long-term debt	(300,000)	—
Issuance of senior notes	—	1,092,728
Debt issuance costs on senior notes and credit facilities	—	(14,775)
Dividends paid to noncontrolling interests	(21,513)	(19,369)
Distributions to parent company, net	(56,316)	(186,597)
Net cash from financing activities	(377,829)	(227,510)
Net change in cash and cash equivalents	(276,372)	13,196
Cash and cash equivalents, beginning of period	511,795	65,780
Cash and cash equivalents, end of period	$235,423	$78,976

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

	Shares Balance	Par Value	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
Balance at December 31, 2014	261,246	$ 26,125	$ 530,657	$ 6,009,114	$ (69,418)	$ 722,304	$ 7,218,782
Distributions to parent company, net	—	—	—	(186,597)	—	—	(186,597)
Capital contribution by parent - share-based compensation	—	—	7,348	—	—	—	7,348
Net income	—	—	—	192,431	—	20,047	212,478
Dividends paid to noncontrolling interests	—	—	—	—	—	(19,369)	(19,369)
Other comprehensive loss, net	—	—	—	—	(5,363)	—	(5,363)
Balance at March 31, 2015	261,246	$ 26,125	$ 538,005	$ 6,014,948	$ (74,781)	$ 722,982	$ 7,227,279
Balance at December 31, 2015	261,246	$ 26,125	$ 561,309	$ 6,167,211	$ (63,175)	$ 723,001	$ 7,414,471
Distributions to parent company, net	—	—	—	(56,316)	—	—	(56,316)
Capital contribution by parent - share-based compensation	—	—	9,119	—	—	—	9,119
Net income	—	—	—	117,021	—	18,648	135,669
Dividends paid to noncontrolling interests	—	—	—	—	—	(21,513)	(21,513)
Other comprehensive income, net	—	—	—	—	2,537	—	2,537
Balance at March 31, 2016	261,246	$ 26,125	$ 570,428	$ 6,227,916	$ (60,638)	$ 720,136	$ 7,483,967

See accompanying notes to the unaudited consolidated financial statements.

12

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

Note 1 — Organization and Basis of Presentation

Noble Corporation plc, a public limited company incorporated under the laws of England and Wales ("Noble-UK"), is a leading offshore drilling contractor for the oil and gas industry. We perform contract drilling services with our global fleet of mobile offshore drilling units. As of the filing date of this Quarterly Report on Form 10-Q, our fleet consisted of 14 jackups, eight drillships and eight semisubmersibles, including one high-specification, harsh environment jackup under construction.

We report our contract drilling operations as a single reportable segment, Contract Drilling Services, which reflects how we manage our business, and the fact that all of our drilling fleet is dependent upon the worldwide oil and gas industry. The mobile offshore drilling units comprising our offshore rig fleet operate in a global market for contract drilling services and are often redeployed to different regions due to changing demands of our customers, which consist largely of major independent and government owned/controlled oil and gas companies throughout the world. As of March 31, 2016, our contract drilling services segment conducted operations in the United States, Brazil, Argentina, the North Sea, the Mediterranean, the Middle East, Asia and Australia. Noble and its predecessors have been engaged in the contract drilling of oil and gas wells since 1921.

Noble Corporation, a Cayman Islands company ("Noble-Cayman"), is an indirect, wholly-owned subsidiary of Noble-UK, our publicly-traded parent company. Noble-UK's principal asset is all of the shares of Noble-Cayman. Noble-Cayman has no public equity outstanding. The consolidated financial statements of Noble-UK include the accounts of Noble-Cayman, and Noble-UK conducts substantially all of its business through Noble-Cayman and its subsidiaries.

The accompanying unaudited consolidated financial statements of Noble-UK and Noble-Cayman have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") as they pertain to Quarterly Reports on Form 10-Q. Accordingly, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to such rules and regulations. The unaudited financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial position and results of operations for the interim periods, on a basis consistent with the annual audited consolidated financial statements. All such adjustments are of a recurring nature. The December 31, 2015 Consolidated Balance Sheets presented herein are derived from the December 31, 2015 audited consolidated financial statements. These interim financial statements should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2015, filed by both Noble-UK and Noble-Cayman. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

Certain amounts in prior periods have been reclassified to conform to the current year presentation. In accordance with our adoption of Accounting Standards Update ("ASU") No. 2015-03, unamortized debt issuance costs related to our senior notes of approximately $26 million as of December 31, 2015, which were previously included in “Other assets,” are included in either “Current maturities of long-term debt” or “Long-term debt” in the accompanying Consolidated Balance Sheets, based upon the maturity date of the respective senior notes.

Note 2 — Spin-off of Paragon Offshore plc (“Paragon Offshore”)

On August 1, 2014, Noble-UK completed the separation and spin-off of a majority of its standard specification offshore drilling business (the “Spin-off”) through a pro rata distribution of all of the ordinary shares of its wholly-owned subsidiary, Paragon Offshore, to the holders of Noble’s ordinary shares.

In February 2016, we entered into an agreement in principle for a settlement with Paragon Offshore under which, in exchange for a full and unconditional release of any claims by Paragon Offshore in connection with the Spin-off (including certain claims that could be brought on behalf of Paragon Offshore’s creditors), we agreed to assume the administration of Mexican tax claims for specified years up to and including 2010, as well as the related bonding obligations and certain of the related tax liabilities. The final agreement with Paragon Offshore, which was signed by the parties on April 29, 2016, is subject to the approval of Paragon Offshore’s bankruptcy plan by a bankruptcy court. A hearing to confirm the plan is set for late June 2016 (see Note 13 for additional information).

Prior to the completion of the Spin-off, Noble and Paragon Offshore entered into a series of agreements to effect the separation and Spin-off and govern the relationship between the parties after the Spin-off.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

Master Separation Agreement (“MSA”)

The general terms and conditions relating to the separation and Spin-off are set forth in the MSA. The MSA identifies the assets transferred, liabilities assumed and contracts assigned either to Paragon Offshore by us or by Paragon Offshore to us in the separation and describes when and how these transfers, assumptions and assignments would occur. The MSA provides for, among other things, Paragon Offshore’s responsibility for liabilities relating to its business and the responsibility of Noble for liabilities related to our, and in certain limited cases, Paragon Offshore’s business, in each case irrespective of when the liability arose. The MSA also contains indemnification obligations and ongoing commitments by us and Paragon Offshore.

Employee Matters Agreement (“EMA”)

The EMA allocates liabilities and responsibilities between us and Paragon Offshore relating to employment, compensation and benefits and other employment related matters.

Tax Sharing Agreement (“TSA”)

The TSA provides for the allocation of tax liabilities and benefits between us and Paragon Offshore and governs the parties’ assistance with tax-related claims.

Transition Services Agreements

Under two transition services agreements, we agreed to continue, for a limited period of time, to provide various interim support services to Paragon Offshore, and Paragon Offshore agreed to provide various interim support services to us, including providing operational and administrative support for our remaining Brazilian operations.

Note 3 — Consolidated Joint Ventures

We maintain a 50 percent interest in two joint ventures, each with a subsidiary of Royal Dutch Shell plc (“Shell”), that own and operate the two Bully-class drillships. We have determined that we are the primary beneficiary of the joint ventures. Accordingly, we consolidate the entities in our consolidated financial statements after eliminating intercompany transactions. Shell’s equity interests are presented as noncontrolling interests on our Consolidated Balance Sheets.

During the three months ended March 31, 2016 and 2015, the Bully joint ventures approved and paid dividends totaling $43 million and $39 million, respectively. Of these amounts, 50 percent was paid to our joint venture partner.

The combined carrying amount of the Bully-class drillships at both March 31, 2016 and December 31, 2015 totaled $1.4 billion. These assets were primarily funded through partner equity contributions. Cash held by the Bully joint ventures totaled approximately $41 million at March 31, 2016 as compared to approximately $50 million at December 31, 2015.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

Note 4 — Share Data

Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for Noble-UK:

	Three months ended March 31,	
	2016	2015
Numerator:		
Basic		
Net income attributable to Noble-UK	$105,485	$178,403
Earnings allocated to unvested share-based payment awards	(3,822)	(3,931)
Net income to common shareholders - basic	$101,663	$174,472
Diluted		
Net income attributable to Noble-UK	$105,485	$178,403
Earnings allocated to unvested share-based payment awards	(3,822)	(3,931)
Net income to common shareholders - diluted	$101,663	$174,472
Denominator:		
Weighted average shares outstanding - basic	242,826	242,685
Incremental shares issuable from assumed exercise of stock options	—	—
Weighted average shares outstanding - diluted	242,826	242,685
Weighted average unvested share-based payment awards	9,129	5,468
Earnings per share		
Basic	$0.42	$0.72
Diluted	$0.42	$0.72
Dividends per share	$0.150	$0.375

Only those items having a dilutive impact on our basic earnings per share are included in diluted earnings per share. For the three months ended March 31, 2016 and 2015, approximately 1.6 million and 2.0 million shares underlying stock options, respectively, were excluded from the diluted earnings per share as such stock options were not dilutive.

Share capital

As of March 31, 2016, Noble-UK had approximately 243.2 million shares outstanding and trading as compared to approximately 242.0 million shares outstanding and trading at December 31, 2015. Our Board of Directors may increase our share capital through the issuance of up to 53 million authorized shares (at current nominal value of $0.01 per share) without obtaining shareholder approval.

Our most recent quarterly dividend payment to shareholders, totaling approximately $38 million (or $0.15 per share), was declared on January 29, 2016 and paid on February 16, 2016 to holders of record on February 8, 2016.

On April 22, 2016, our Board of Directors approved the payment of a quarterly dividend to shareholders of $0.02 per share. The payment is expected to total approximately $5 million, based on the number of shares currently outstanding.

The declaration and payment of dividends require authorization of the Board of Directors of Noble-UK, provided that such dividends on issued share capital may be paid only out of Noble-UK's "distributable reserves" on its statutory balance sheet. Noble-UK is not permitted to pay dividends out of share capital, which includes share premiums. The payment of future dividends will depend on our results of operations, financial condition, cash requirements, future business prospects, contractual restrictions and other factors deemed relevant by our Board of Directors.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

Share repurchases

Under UK law, the Company is only permitted to purchase its own shares by way of an “off-market purchase” in a plan approved by shareholders. In December 2014, we received shareholder approval to repurchase up to 37 million ordinary shares, or approximately 15 percent of our outstanding ordinary shares at the time of the shareholder approval. The authority to make such repurchases expired at the end of the Company’s 2016 annual general meeting of shareholders, which was held on April 22, 2016. During 2015, we repurchased 6.2 million of our ordinary shares covered by this authorization for a total cost of approximately $101 million. During the three months ended March 31, 2016, we did not repurchase any of our shares.

Note 5 — Receivables from Customers

At March 31, 2016, we had receivables of approximately $14 million related to the Noble Max Smith, which are being disputed by our former customer, Petróleos Mexicanos (“Pemex”). These receivables have been classified as long-term and are included in “Other assets” on our Consolidated Balance Sheet. The disputed amounts relate to lost revenues for downtime that occurred after our rig was damaged when one of Pemex’s supply boats collided with our rig in 2010. In January 2012, we filed a lawsuit against Pemex in Mexican court seeking recovery of these amounts. While we can make no assurances as to the outcome of this dispute, we believe we are entitled to the disputed amounts.

Note 6 — Property and Equipment

Property and equipment, at cost, as of March 31, 2016 and December 31, 2015 for Noble-UK consisted of the following:

	March 31, 2016	December 31, 2015
Drilling equipment and facilities	$13,443,211	$13,074,804
Construction in progress	443,843	761,347
Other	213,209	220,172
Property and equipment, at cost	$14,100,263	$14,056,323

Capital expenditures, including capitalized interest, totaled $51 million and $89 million for the three months ended March 31, 2016 and 2015, respectively. Capitalized interest was $4 million and $5 million for the three months ended March 31, 2016 and 2015, respectively.

During the three months ended March 31, 2016, we completed the sale of the previously retired drillship, the Noble Discoverer. In connection with the sale of this rig, we received proceeds of approximately $3 million.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

Note 7 — Debt

Our total debt consisted of the following at March 31, 2016 and December 31, 2015:

	March 31, 2016	December 31, 2015
Current		
Current maturities of long-term debt	$299,965	$299,997
Less: Unamortized debt issuance costs	(442)	(73)
Current maturities of long-term debt, net of debt issuance costs	$299,523	$299,924
Long-term		
3.05% Senior Notes due March 2016	$—	$299,997
2.50% Senior Notes due March 2017	299,965	299,956
5.00% Senior Notes due March 2018	249,645	249,602
7.50% Senior Notes due March 2019	201,695	201,695
4.90% Senior Notes due August 2020	499,322	499,287
4.625% Senior Notes due March 2021	399,694	399,680
3.95% Senior Notes due March 2022	399,377	399,354
6.95% Senior Notes due April 2025	448,838	448,814
6.20% Senior Notes due August 2040	399,897	399,896
6.05% Senior Notes due March 2041	397,728	397,719
5.25% Senior Notes due March 2042	498,346	498,338
7.95% Senior Notes due April 2045	394,577	394,563
Total senior unsecured notes	4,189,084	4,488,901
Credit facility & commercial paper program	—	—
Total debt	4,189,084	4,488,901
Less: Unamortized debt issuance costs	(25,059)	(26,266)
Less: Current maturities of long-term debt	(299,965)	(299,997)
Long-term debt, net of debt issuance costs	$3,864,060	$4,162,638

In accordance with our adoption of ASU No. 2015-03, unamortized debt issuance costs related to our senior notes are shown as a direct reduction of the carrying amount of the related debt. The debt issuance costs previously included in “Other assets,” are included in either “Current maturities of long-term debt” or “Long-term debt” in the accompanying Consolidated Balance Sheets, based upon the maturity date of the respective senior notes.

Credit Facility and Commercial Paper Program

We currently have a five-year $2.4 billion senior unsecured credit facility that matures in January 2020. The credit facility provides us with the ability to issue up to $500 million in letters of credit. The issuance of letters of credit under the facility reduces the amount available for borrowing. At March 31, 2016, we had no letters of credit issued under the facility.

We also have a commercial paper program that allows us to issue up to $2.4 billion in unsecured commercial paper notes. Amounts issued under the commercial paper program are supported by the unused capacity under our credit facility and, therefore, are classified as long-term on our Consolidated Balance Sheet. The outstanding amounts of commercial paper reduce availability under our credit facility. Access to our commercial paper program is dependent upon our credit ratings. As our credit ratings are below investment grade, we are currently prohibited from accessing the commercial paper market.

As of March 31, 2016, we had no amounts drawn on our credit facility.

Our credit facility and certain of our senior notes, as discussed below, have provisions which vary the applicable interest rates based upon our credit ratings.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

Senior Unsecured Notes

In March 2015, our indirect wholly-owned subsidiary, Noble Holding International Limited (“NHIL”), issued $1.1 billion aggregate principal amount of senior notes in three separate tranches, comprised of $250 million of 4.00% Senior Notes due 2018, $450 million of 5.95% Senior Notes due 2025, and $400 million of 6.95% Senior Notes due 2045. The interest rates for these Senior Notes are subject to adjustment from time to time upon a change to our debt rating, pursuant to the terms of these Senior Notes. In February 2016, as a result of a reduction in our debt rating below investment grade, the interest rates on these Senior Notes were increased to 5.00%, 6.95% and 7.95%, respectively, effective the first day of each interest period after which the downgrade occurred. The interest rates on these Senior Notes may be further increased if our debt rating were to be downgraded further (up to a maximum of an additional 100 basis points).

In March 2016, we repaid our $300 million 3.05% Senior Notes using cash on hand.

In March 2016, we commenced cash tender offers for our 4.90% Senior Notes due 2020, of which $500 million principal amount was outstanding, and our 4.625% Senior Notes due 2021, of which $400 million principal amount was outstanding. On April 1, 2016, we purchased $36 million of these Senior Notes using cash on hand.

Our $300 million 2.50% Senior Notes mature during the first quarter of 2017. We anticipate using cash on hand to repay the outstanding balances.

Covenants

The credit facility is guaranteed by NHIL and Noble Holding Corporation (“NHC”). The credit facility contains a covenant that limits our ratio of debt to total tangible capitalization, as defined in the credit facility, to 0.60. At March 31, 2016, our ratio of debt to total tangible capitalization was approximately 0.36. We were in compliance with all covenants under the credit facility as of March 31, 2016.

In addition to the covenants from the credit facility noted above, the indentures governing our outstanding senior unsecured notes contain covenants that place restrictions on certain merger and consolidation transactions, unless we are the surviving entity or the other party assumes the obligations under the indenture, and on the ability to sell or transfer all or substantially all of our assets. In addition, there are restrictions on incurring or assuming certain liens and on entering into sale and lease-back transactions. At March 31, 2016, we were in compliance with all of our debt covenants. We continually monitor compliance with the covenants under our notes and expect to remain in compliance during the remainder of 2016.

Fair Value of Debt

Fair value represents the amount at which an instrument could be exchanged in a current transaction between willing parties. The estimated fair value of our senior notes was based on the quoted market prices for similar issues or on the current rates offered to us for debt of similar remaining maturities (Level 2 measurement). All remaining fair value disclosures are presented in Note 11.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

The following table presents the estimated fair value of our total debt, not including the effect of unamortized debt issuance costs, as of March 31, 2016 and December 31, 2015, respectively:

	March 31, 2016		December 31, 2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Senior unsecured notes:				
3.05% Senior Notes due March 2016	$—	$—	$299,997	$299,340
2.50% Senior Notes due March 2017	299,965	283,313	299,956	284,334
5.00% Senior Notes due March 2018	249,645	232,369	249,602	227,285
7.50% Senior Notes due March 2019	201,695	172,323	201,695	194,273
4.90% Senior Notes due August 2020	499,322	369,375	499,287	378,761
4.625% Senior Notes due March 2021	399,694	276,500	399,680	289,450
3.95% Senior Notes due March 2022	399,377	242,500	399,354	265,643
6.95% Senior Notes due April 2025	448,838	288,984	448,814	308,870
6.20% Senior Notes due August 2040	399,897	195,500	399,896	237,005
6.05% Senior Notes due March 2041	397,728	195,000	397,719	239,464
5.25% Senior Notes due March 2042	498,346	235,625	498,338	279,919
7.95% Senior Notes due April 2045	394,577	220,500	394,563	255,887
Total senior unsecured notes	4,189,084	2,711,989	4,488,901	3,260,231
Credit facility & commercial paper program	—	—	—	—
Total debt	$4,189,084	$2,711,989	$4,488,901	$3,260,231

Note 8 — Income Taxes

Our income tax benefit (provision) decreased $50 million for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015, which is primarily the result of the recognition of a favorable discrete item in the current quarter of $27 million coupled with a decrease in pre-tax earnings.

At March 31, 2016, the reserves for uncertain tax positions totaled $144 million (net of related tax benefits of $1 million). If the March 31, 2016 reserves are not realized, the provision for income taxes would be reduced by $144 million. At December 31, 2015, the reserves for uncertain tax positions totaled $166 million (net of related tax benefits of $14 million).

It is reasonably possible that our existing liabilities related to our reserve for uncertain tax positions may fluctuate in the next 12 months primarily due to the completion of open audits or the expiration of statutes of limitation.

However, we cannot reasonably estimate a range of changes in our existing liabilities due to various uncertainties, such as the unresolved nature of various audits.

Note 9 — Employee Benefit Plans

Pension costs include the following components for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,			
	2016		2015	
	Non-U.S.	U.S.	Non-U.S.	U.S.
Service cost	$775	$1,662	$874	$2,149
Interest cost	634	2,389	642	2,300
Return on plan assets	(895)	(3,097)	(926)	(3,286)
Amortization of prior service cost	26	29	27	36
Recognized net actuarial loss	37	1,100	45	1,539
Net pension expense	$577	$2,083	$662	$2,738

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

During the three months ended March 31, 2016 and 2015, we made contributions to our pension plans totaling approximately $0.1 million and $0.2 million, respectively.

Note 10 — Derivative Instruments and Hedging Activities

We periodically enter into derivative instruments to manage our exposure to fluctuations in foreign currency exchange rates. We have documented policies and procedures to monitor and control the use of derivative instruments. We do not engage in derivative transactions for speculative or trading purposes, nor are we a party to leveraged derivatives.

For foreign currency forward contracts, hedge effectiveness is evaluated at inception based on the matching of critical terms between derivative contracts and the hedged item. Any change in fair value resulting from ineffectiveness is recognized immediately in earnings.

Cash Flow Hedges

Several of our regional shorebases, including our North Sea and Australian operations, have a significant amount of their cash operating expenses payable in local currencies. To limit the potential risk of currency fluctuations, we periodically enter into forward contracts, which settle monthly in the operations' respective local currencies. All of these contracts have a maturity of less than 12 months. The forward contract settlements in the remainder of 2016 represent approximately 60 percent of these forecasted local currency requirements. The notional amount of the forward contracts outstanding, expressed in U.S. Dollars, was approximately $36 million at March 31, 2016. Total unrealized gains related to these forward contracts were approximately $1 million as of March 31, 2016 and were recorded as part of "Accumulated other comprehensive loss" ("AOCL").

Financial Statement Presentation

The following table, together with Note 11, summarizes the financial statement presentation and fair value of our derivative positions as of March 31, 2016 and December 31, 2015:

		Estimated fair value	
	Balance sheet classification	March 31, 2016	December 31, 2015
Asset derivatives			

Cash flow hedges			
Short-term foreign currency forward contracts	Prepaid expenses and other current assets	$1,112	$ —
Liability derivatives			
Cash flow hedges			
Short-term foreign currency forward contracts	Other current liabilities	$126	$ —

To supplement the fair value disclosures in Note 11, the following summarizes the recognized gains and losses of cash flow hedges and non-designated derivatives through AOCL or through "contract drilling services" expense for the three months ended March 31, 2016 and 2015:

	Gain/(loss) recognized through AOCL		Gain/(loss) reclassified from AOCL to "contract drilling services" expense		Gain/(loss) recognized through "contract drilling services" expense	
	2016	2015	2016	2015	2016	2015
Cash flow hedges						
Foreign currency forward contracts	$894	$(3,111)	$92	$(34)	$ —	$ —

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

Note 11 — Fair Value of Financial Instruments

The following tables present the carrying amount and estimated fair value of our financial instruments recognized at fair value on a recurring basis:

	March 31, 2016			
		Estimated Fair Value Measurements		
	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets -				
Marketable securities	$6,492	$6,492	$ —	$ —
Foreign currency forward contracts	1,112	—	1,112	—
Liabilities -				
Foreign currency forward contracts	$126	$—	$ 126	$ —

	December 31, 2015			
		Estimated Fair Value Measurements		
	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets -				
Marketable securities	$6,352	$6,352	$ —	$ —

The foreign currency forward contracts have been valued using actively quoted prices and quotes obtained from the counterparties to the contracts. Our cash and cash equivalents, accounts receivable and accounts payable are by their nature short-term. As a result, the carrying values included in the accompanying Consolidated Balance Sheets approximate fair value.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

Note 12 — Accumulated Other Comprehensive Loss

The following tables set forth the components of, and changes in the accumulated balances for each component of, AOCL for the three months ended March 31, 2016 and 2015. All amounts within the tables are shown net of tax.

	Gains / (Losses) on Cash Flow Hedges[1]	Defined Benefit Pension Items[2]	Foreign Currency Items	Total
Balance at December 31, 2014	$ —	$ (58,440)	$ (10,978)	$ (69,418)
Activity during period:				
Other comprehensive loss before reclassifications	(3,111)	—	(3,299)	(6,410)
Amounts reclassified from AOCL	(34)	1,081	—	1,047
Net other comprehensive (loss)/income	(3,145)	1,081	(3,299)	(5,363)
Balance at March 31, 2015	$ (3,145)	$ (57,359)	$ (14,277)	$ (74,781)
Balance at December 31, 2015	$ —	$ (46,919)	$ (16,256)	$ (63,175)
Activity during period:				
Other comprehensive income before reclassifications	894	—	768	1,662
Amounts reclassified from AOCL	92	783	—	875
Net other comprehensive income	986	783	768	2,537
Balance at March 31, 2016	$ 986	$ (46,136)	$ (15,488)	$ (60,638)

(1) Gains / (losses) on cash flow hedges are related to foreign currency forward contracts. Reclassifications from AOCL are recognized through “contract drilling services” expense on our Consolidated Statements of Income. See Note 10 for additional information.

(2) Defined benefit pension items relate to actuarial changes and the amortization of prior service costs. Reclassifications from AOCL are recognized as expense on our Consolidated Statements of Income through either “Contract drilling services” or “General and administrative.” See Note 9 for additional information.

Note 13 — Commitments and Contingencies

In December 2014, one of our subsidiaries reached a settlement with the U.S. Department of Justice (“DOJ”) regarding our former drillship, the Noble Discoverer, and the Kulluk, a rig we were providing contract labor services for, in respect of violations of applicable law discovered in connection with a 2012 Coast Guard inspection in Alaska and our own subsequent internal investigation. Under the terms of the agreement, the subsidiary pled guilty to oil record book, ballast record and required hazardous condition reporting violations with respect to the Noble Discoverer and an oil record book violation with respect to the Kulluk. The subsidiary paid $8.2 million in fines and $4 million in community service payments, and was placed on probation for four years, provided that we may petition the court for early dismissal of probation after three years. If, during the term of probation, the subsidiary fails to adhere to the terms of the plea agreement, the DOJ may withdraw from the plea agreement and would be free to prosecute the subsidiary on all charges arising out of its investigation, including any charges dismissed pursuant to the terms of the plea agreement, as well as potentially other charges. We also implemented a comprehensive environmental compliance plan in connection with the settlement.

We have used a commercial agent in Brazil in connection with our Petróleo Brasileiro S.A. (“Petrobras”) drilling contracts. We understand that this agent has represented a number of different companies in Brazil over many years, including several offshore drilling contractors. In November 2015, this agent pled guilty in Brazil in connection with the award of a drilling contract to a competitor and implicated a Petrobras official as part of a wider investigation of Petrobras’ business practices. Following news reports relating to the agent’s involvement in the Brazil investigation in connection with his activities with other companies, we have been conducting a review of our relationship with the agent and with Petrobras. We are in contact with the SEC, the Brazilian federal prosecutor’s office and the DOJ about this matter. We are cooperating with these agencies and they are aware of our internal review. To our knowledge, neither the agent, nor the government authorities investigating the matter, has alleged that the agent or Noble acted improperly in connection with our contracts with Petrobras.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

We are from time to time a party to various lawsuits that are incidental to our operations in which the claimants seek an unspecified amount of monetary damages for personal injury, including injuries purportedly resulting from exposure to asbestos on drilling rigs and associated facilities. At March 31, 2016, there were 42 asbestos related lawsuits in which we are one of many defendants. These lawsuits have been filed in the United States in the states of Louisiana and Mississippi. We intend to vigorously defend against the litigation. We do not believe the ultimate resolution of these matters will have a material adverse effect on our financial position, results of operations or cash flows.

We are a defendant in certain claims and litigation arising out of operations in the ordinary course of business, the resolution of which, in the opinion of management, will not be material to our financial position, results of operations or cash flows. There is inherent risk in any litigation or dispute and no assurance can be given as to the outcome of these claims.

We operate in a number of countries throughout the world and our tax returns filed in those jurisdictions are subject to review and examination by tax authorities within those jurisdictions. We recognize uncertain tax positions that we believe have a greater than 50 percent likelihood of being sustained. We cannot predict or provide assurance as to the ultimate outcome of any existing or future assessments.

During 2014, the IRS began its examination of our tax reporting in the U.S. for the taxable years ended December 31, 2010 and 2011. We believe that we have accurately reported all amounts in our 2010 and 2011 tax returns. We believe the ultimate resolution of the IRS examination will not have a material adverse effect on our consolidated financial statements.

Under the TSA entered into at the time of the Spin-off, Noble and Paragon Offshore are each responsible for the taxes that relate to their respective business (whether such taxes were incurred through a Noble-retained or a Paragon-retained entity) and provide a corresponding indemnity. In addition, in February 2016, we entered into an agreement in principle with Paragon Offshore relating to tax matters in Mexico described below in exchange for a full and unconditional release of any claims by Paragon Offshore in connection with the Spin-off (including any claims that could be brought on behalf of its creditors). The final agreement with Paragon Offshore, which was signed by the parties on April 29, 2016, is subject to the approval of Paragon Offshore's bankruptcy plan by a bankruptcy court. A hearing to confirm the plan is set for late June 2016 (see Note 2 for additional information).

Audit claims of approximately $168 million attributable to income and other business taxes have been assessed against us in Mexico, as detailed below. Under our recent agreement with Paragon Offshore, we agreed to assume the administration of Paragon Offshore's Mexican income and value-added taxes for the years 2005 through 2010 and for Paragon Offshore's Mexican customs taxes through 2010, as well as the related bonding obligations and certain of the tax related liabilities. In addition, under the recent agreement with Paragon Offshore, we agreed to (i) pay all of the ultimate resolved amount of Mexican income and value-added taxes related to Paragon Offshore's business that were incurred through a Noble-retained entity, (ii) pay 50 percent of the ultimate resolved amount of Mexican income and value-added taxes related to Paragon Offshore's business that were incurred through a Paragon Offshore-retained entity, (iii) pay 50 percent of the ultimate resolved amount of Mexican custom taxes related to Paragon Offshore's business, and (iv) be required to post any tax appeal bond that may be required to challenge a final assessment. Tax assessments of approximately $48 million for income and value-added taxes have been made against Noble entities in Mexico. Tax assessments for income and value-added taxes of approximately $196 million have been made against Paragon Offshore entities in Mexico, of which approximately $45 million relates to Noble's business that operated through Paragon Offshore-retained entities in Mexico prior to the Spin-off. We will only be obligated to post a tax appeal bond in the event a final assessment is made by Mexican authorities. As of April 15, 2016, there have been $3 million in final assessments that have been bonded.

In January 2015, Noble received an official notification of a ruling from the Second Chamber of the Supreme Court in Mexico. The ruling settled an ongoing dispute in Mexico relating to the classification of a Noble subsidiary's business activity and the applicable rate of depreciation under the Mexican law applicable to the activities of that subsidiary. The ruling did not result in any additional tax liability to Noble. Additionally, the ruling is only applicable to the Noble subsidiary named in the ruling and, therefore, does not establish the depreciation rate applicable to the assets of other Noble subsidiaries. Under the recent agreement with Paragon Offshore, we agreed to be responsible for any tax liability ultimately incurred because these depreciation liabilities would be incurred by Noble-retained entities, and such amounts are reflected in the discussion of Mexican audit claims in the preceding paragraph. We will continue to contest future assessments received, and do not believe we are liable for additional tax.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

Paragon Offshore has received tax assessments of approximately $134 million attributable to income, customs and other business taxes in Brazil, of which $36 million relates to Noble's business that operated through a Paragon Offshore-retained entity in Brazil prior to the Spin-off. Under the TSA, we must indemnify Paragon Offshore for all assessed amounts that are related to Noble's Brazil business, approximately $36 million, if and when such payments become due.

We have contested, or intend to contest or cooperate with Paragon Offshore in Brazil where it is contesting, the assessments described above, including through litigation if necessary, and we believe the ultimate resolution, for which we have not made any accrual, will not have a material adverse effect on our consolidated financial statements. Tax authorities may issue additional assessments or pursue legal actions as a result of tax audits and we cannot predict or provide assurance as to the ultimate outcome of such assessments and legal actions or our ability to collect indemnities from Paragon Offshore under the TSA or the recent agreement with Paragon Offshore.

We have been notified by Petrobras that it is currently challenging assessments by Brazilian tax authorities of withholding taxes associated with the provision of drilling rigs for its operations in Brazil during 2008 and 2009. Petrobras has also notified us that if Petrobras must ultimately pay such withholding taxes, it will seek reimbursement from us for the portion allocable to our drilling rigs. The amount of withholding tax that Petrobras indicates may be allocable to Noble drilling rigs is R$79 million (approximately $22 million). We believe that our contract with Petrobras requires Petrobras to indemnify us for these withholding taxes. We will, if necessary, vigorously defend our rights.

We maintain certain insurance coverage against specified marine perils, which includes physical damage and loss of hire to our drilling rigs along with other associated coverage common in our industry. We maintain a physical damage deductible on our rigs of $25 million per occurrence. With respect to the U.S. Gulf of Mexico, hurricane risk has generally resulted in more restrictive and expensive coverage for U.S. named windstorm perils, and we have opted in certain years to maintain limited or no windstorm coverage. Our current program provides for $500 million in named windstorm coverage in the U.S. Gulf of Mexico. For the Noble Bully I, our customer assumes the risk of loss due to a named windstorm event, pursuant to the terms of the drilling contract, through the purchase of insurance coverage (provided that we are responsible for any deductible under such policy) or, at its option, the assumption of the risk of loss up to the insured value in lieu of the purchase of such insurance. The loss of hire coverage applies only to our rigs operating under contract with a dayrate equal to or greater than $200,000 a day and is subject to a 45-day waiting period for each unit and each occurrence.

Although we maintain insurance in the geographic areas in which we operate, pollution, reservoir damage and environmental risks generally are not fully insurable. Our insurance policies and contractual rights to indemnity may not adequately cover our losses or may have exclusions of coverage for some losses. We do not have insurance coverage or rights to indemnity for all risks, including loss of hire insurance on most of the rigs in our fleet. Uninsured exposures may include expatriate activities prohibited by U.S. laws and regulations, radiation hazards, certain loss or damage to property on board our rigs and losses relating to shore-based terrorist acts, strikes or cyber risks. If a significant accident or other event occurs and is not fully covered by insurance or contractual indemnity, it could materially adversely affect our financial position, results of operations or cash flows. Additionally, there can be no assurance that those parties with contractual obligations to indemnify us will necessarily be financially able to indemnify us against all these risks.

We carry protection and indemnity insurance covering marine third party liability exposures, which also includes coverage for employer's liability resulting from personal injury to our offshore drilling crews. Our protection and indemnity policy currently has a standard deductible of $10 million per occurrence, with maximum liability coverage of $750 million.

In connection with our capital expenditure program, we had outstanding commitments, including shipyard and purchase commitments of approximately $570 million at March 31, 2016.

We have entered into agreements with certain of our executive officers, as well as certain other employees. These agreements become effective upon a change of control of Noble-UK (within the meaning set forth in the agreements) or a termination of employment in connection with or in anticipation of a change of control, and remain effective for three years thereafter. These agreements provide for compensation and certain other benefits under such circumstances.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

Note 14 — Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, which creates Accounting Standards Codification (“ASC”) Topic 606, “Revenue from Contracts with Customers,” and supersedes the revenue recognition requirements in Topic 605, “Revenue Recognition,” including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, ASU No. 2014-09 supersedes the cost guidance in Subtopic 605-35, “Revenue Recognition—Construction-Type and Production-Type Contracts,” and creates new Subtopic 340-40, “Other Assets and Deferred Costs—Contracts with Customers.” In summary, the core principle of Topic 606 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Companies are allowed to select between two transition methods: (1) a full retrospective transition method with the application of the new guidance to each prior reporting period presented, or (2) a retrospective transition method that recognizes the cumulative effect on prior periods at the date of adoption together with additional footnote disclosures. The amendments in ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and early application is not permitted. In March 2016 and April 2016, the FASB issued ASU No. 2016-08 and ASU No. 2016-10, respectively. The amendments in ASU No. 2016-08 and ASU No. 2016-10 do not change the core principle of ASU No. 2014-09, but instead clarify the implementation guidance on principle versus agent considerations and identify performance obligations and the licensing implementation guidance, respectively. We are currently evaluating the impact the adoption of this guidance will have on our consolidated financial statements and have not made any decision on the method of adoption.

In June 2014, the FASB issued ASU No. 2014-12, which amends ASC Topic 718, “Compensation-Stock Compensation.” The guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition and should not be reflected in the estimate of the grant-date fair value of the award. The guidance is effective for annual periods beginning after December 15, 2015. The guidance can be applied prospectively for all awards granted or modified after the effective date or retrospectively to all awards with performance targets outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In August 2014, the FASB issued ASU No. 2014-15, which amends ASC Subtopic 205-40, “Disclosure of Uncertainties about an Entity’s Ability to continue as a Going Concern.” The amendments in this ASU provide guidance related to management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. The amendments are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The adoption of this guidance is not anticipated to have a material impact on our financial condition, results of operations, cash flows or financial disclosures.

In January 2015, the FASB issued ASU No. 2015-01, which amends ASC Subtopic 225-20, “Income Statement – Extraordinary and Unusual Items.” The amendment in this ASU eliminates from GAAP the concept of extraordinary items. The amendments in this update are effective for interim and annual reporting periods beginning after

December 15, 2015. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In February 2015, the FASB issued ASU No. 2015-02, which amends ASC Subtopic 810, "Consolidations." This amendment affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities; eliminate the presumption that a general partner should consolidate a limited partnership; affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. The standard is effective for interim and annual reporting periods beginning after December 15, 2015. The standard may be applied retrospectively or through a cumulative effect adjustment to retained earnings as of the beginning of the year of adoption. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In April 2015, the FASB issued ASU No. 2015-03, which amends ASC Subtopic 835-30, "Interest – Imputation of Interest." The guidance requires debt issuance costs to be presented in the balance sheet as a direct reduction from the associated debt liability. The standard is effective for interim and annual reporting periods beginning after December 15, 2015. In August 2015, the FASB issued ASU No. 2015-15 which amends ASC Subtopic 835-30, "Interest – Imputation of Interest." The guidance allows a debt issuance cost related to a line-of-credit to be presented in the balance sheet as an asset and subsequently amortized ratably over the term of the line-of credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement.

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

The new guidance is applied on a retrospective basis. In accordance with our adoption of ASU No. 2015-03, unamortized debt issuance costs related to our senior notes of approximately $26 million as of December 31, 2015, which were previously included in "Other assets," are included in either "Current maturities of long-term debt" or "Long-term debt" in the accompanying Consolidated Balance Sheets, based upon the maturity date of the respective senior notes.

In April 2015, the FASB issued ASU No. 2015-04, which amends ASC Topic 715, "Compensation – Retirement Benefits." The guidance gives an employer whose fiscal year end does not coincide with a calendar month end the ability, as a practical expedient, to measure defined benefit retirement obligations and related plan assets as of the month end that is closest to its fiscal year end. The ASU also provides a similar practical expedient for interim remeasurements of significant events. The standard is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In July 2015, the FASB issued ASU No. 2015-12, which amends ASC Topic 960, "Plan Accounting-Defined Benefit Pension Plans," ASC Topic 962, "Defined Contribution Pension Plans" and ASC Topic 965, "Health and Welfare Benefit Plans." There are three parts to the ASU that aim to simplify the accounting and presentation of plan accounting. Part I of this ASU requires fully benefit-responsive investment contracts to be measured at contract value instead of the current fair value measurement. Part II of this ASU requires investments (both participant-directed and nonparticipant-directed investments) of employee benefit plans be grouped only by general type, eliminating the need to disaggregate the investments in multiple ways. Part III of this ASU provides a similar measurement date practical expedient for employee benefit plans as available in ASU No. 2015-04, which allows employers to measure defined benefit plan assets on a month-end date that is nearest to the year's fiscal year-end when the fiscal period does not coincide with a month-end. Parts I and II of the new guidance should be applied on a retrospective basis. Part III of the new guidance should be applied on a prospective basis. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In September 2015, the FASB issued ASU 2015-16, which amends Topic 805, "Business Combinations." This amendment eliminates the requirement to retrospectively account for adjustments made to provisional amounts recognized in a business combination at the acquisition date with a corresponding adjustment to goodwill, and revise comparative information for prior periods presented in financial statements. Those adjustments are required when new information about circumstances that existed as of the acquisition date would have affected the measurement of the amount initially recognized. This update requires an entity to recognize these adjustments in the reporting period in which the adjustment amounts are determined. An acquirer must record the effect on earnings of changes in depreciation, amortization, or other income effects, calculated as if the accounting had been completed at the acquisition date. An entity must present separately on the face of the income statement, or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment had been recognized as of the acquisition date. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In November 2015, the FASB issued ASU No. 2015-17, which amends ASC Topic 740, “Income Taxes.” This amendment aligns the presentation of deferred income tax assets and liabilities with International Financial Reporting Standards. International Accounting Standard 1, Presentation of Financial Statements, requires deferred tax assets and liabilities to be classified as noncurrent in a classified statement of financial position. The current requirement that deferred tax liabilities and assets be offset and presented as a single amount is not affected by the amendments in this update. The standard is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in this update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

In February 2016, the FASB issued ASU No. 2016-02, which creates ASC Topic 842, “Leases.” This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

In March 2016, the FASB issued ASU No. 2016-05, which amends ASC Topic 815, "Derivatives and Hedging." This amendment clarifies that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016 and may be applied on either a prospective basis or a modified retrospective basis. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

In March 2016, the FASB issued ASU No. 2016-09, which amends ASC Topic 718, "Compensation – Stock Compensation." This amendment simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

Note 15 — Supplemental Financial Information

Consolidated Balance Sheets Information

Deferred revenues from drilling contracts totaled $173 million and $180 million at March 31, 2016 and December 31, 2015, respectively. Such amounts are included in either "Other current liabilities" or "Other liabilities" in the accompanying Consolidated Balance Sheets, based upon our expected time of recognition. Related expenses deferred under drilling contracts totaled $69 million at March 31, 2016 as compared to $78 million at December 31, 2015, and are included in either "Prepaid expenses and other current assets" or "Other assets" in the accompanying Consolidated Balance Sheets, based upon our expected time of recognition.

In April 2015, we agreed to contract dayrate reductions for five rigs working for Saudi Arabian Oil Company ("Saudi Aramco"), which were effective from January 1, 2015 through December 31, 2015. During the first quarter of 2016, we agreed to further contract dayrate reductions for the remaining four contracted rigs through the end of 2016. Given current market conditions and based on discussions with the customer, we do not expect the rates to return to the original contract rates. In accordance with accounting guidance, we are recognizing the reductions on a straight-line basis over the remaining life of the existing Saudi Aramco contracts. At March 31, 2016 and December 31, 2015, revenues recorded in excess of billings as a result of this recognition totaled $45 million and $53 million, respectively, and are included in either "Prepaid expenses and other current assets" or "Other assets" in the accompanying Consolidated Balance Sheets, based upon our expected time of recognition.

Consolidated Statements of Cash Flows Information

The net effect of changes in other assets and liabilities on cash flows from operating activities is as follows.

	Noble-UK Three months ended March 31,		Noble-Cayman Three months ended March 31,	
	2016	2015	2016	2015
Accounts receivable	$(7,086)	$(24,890)	$(7,086)	$(24,890)
Other current assets	20,750	102,206	18,739	76,635
Other assets	23,845	13,827	23,845	13,825
Accounts payable	(48,925)	676	(48,619)	1,284
Other current liabilities	(50,889)	(58,682)	(45,885)	(52,979)
Other liabilities	(25,191)	(18,379)	(25,192)	(18,380)
	$(87,496)	$14,758	$(84,198)	$(4,505)

NOBLE CORPORATION PLC AND SUBSIDIARIES

NOBLE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share data)

Note 16 — Information about Noble-Cayman

Guarantees of Registered Securities

Noble-Cayman, or one or more wholly-owned subsidiaries of Noble-Cayman, are a co-issuer or full and unconditional guarantor or otherwise obligated as of March 31, 2016 as follows:

Notes	Issuer (Co-Issuer(s))	Guarantor
$300 million 2.50% Senior Notes due 2017	NHIL	Noble-Cayman
$250 million 5.00% Senior Notes due 2018	NHIL	Noble-Cayman
$202 million 7.50% Senior Notes due 2019	NHC	Noble-Cayman
	Noble Drilling Holding, LLC ("NDH")	
	Noble Drilling Services 6 LLC ("NDS6")	
$500 million 4.90% Senior Notes due 2020	NHIL	Noble-Cayman
$400 million 4.625% Senior Notes due 2021	NHIL	Noble-Cayman
$400 million 3.95% Senior Notes due 2022	NHIL	Noble-Cayman
$450 million 6.95% Senior Notes due 2025	NHIL	Noble-Cayman
$400 million 6.20% Senior Notes due 2040	NHIL	Noble-Cayman
$400 million 6.05% Senior Notes due 2041	NHIL	Noble-Cayman
$500 million 5.25% Senior Notes due 2042	NHIL	Noble-Cayman
$400 million 7.95% Senior Notes due 2045	NHIL	Noble-Cayman

The following condensed consolidating financial statements of Noble-Cayman, NHC, NDH, NHIL, NDS6 and all other subsidiaries present investments in both consolidated and unconsolidated affiliates using the equity method of accounting.

NOBLE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEET

March 31, 2016

(in thousands)

	Noble - Cayman	NHC	NDH	NHIL	NDS6	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
TS								
nt assets								
and cash equivalents	$8	$—	$71	$—	$—	$235,344	$—	$235,42
unts receivable	—	—	21,702	—	—	484,315	—	506,01
receivable	—	12,124	—	—	—	43,193	—	55,317
term notes receivable n affiliates	—	—	119,476	—	—	171,925	(291,401)	—
unts receivable from iates	930,359	471,793	138,267	92,764	60,439	3,443,616	(5,137,238)	—
d expenses and other ent assets	105	—	1,799	—	—	149,063	—	150,96
current assets	930,472	483,917	281,315	92,764	60,439	4,527,456	(5,428,639)	947,72
rty and equipment, at cost	—	—	1,900,406	—	—	12,198,091	—	14,098
nulated depreciation	—	—	(365,767)	—	—	(2,346,406)	—	(2,712
rty and equipment, net	—	—	1,534,639	—	—	9,851,685	—	11,386
receivable from affiliates	3,304,798	—	236,921	1,587,927	5,000	1,762,825	(6,897,471)	—
ments in affiliates	5,294,156	1,949,551	2,340,680	9,557,179	7,975,626	—	(27,117,192)	—
assets	5,539	—	7,697	—	—	92,898	—	106,13
assets	$9,534,965	$2,433,468	$4,401,252	$11,237,870	$8,041,065	$16,234,864	$(39,443,302)	$12,440
LITIES AND EQUITY								
nt liabilities								
term notes payables from iates	$—	$171,925	$—	$—	$—	$119,476	$(291,401)	$—
nt maturities of long-term	—	—	—	299,523	—	—	—	299,52
unts payable	—	—	5,524	—	—	135,593	—	141,11
ed payroll and related costs	—	—	4,965	—	—	47,989	—	52,954
unts payable to affiliates	1,232,826	61,428	2,088,145	96,868	7,139	1,650,832	(5,137,238)	—
payable	—	10,850	—	—	—	81,995	—	92,845
st payable	—	—	—	41,403	630	—	—	42,033

current liabilities	16	—	4,223	—	—	93,842	—	98,081
current liabilities	1,232,842	244,203	2,102,857	437,794	7,769	2,129,727	(5,428,639)	726,55
term debt	—	—	—	3,662,729	201,331	—	—	3,864,
payable to affiliates	1,518,363	—	461,380	1,414,151	124,215	3,379,362	(6,897,471)	—
red income taxes	—	—	1,314	—	—	69,436	—	70,750
liabilities	19,929	—	27,214	—	—	247,709	—	294,85
liabilities	2,771,134	244,203	2,592,765	5,514,674	333,315	5,826,234	(12,326,110)	4,956,
nitments and contingencies	—	—	—	—	—	—	—	—
shareholder equity	6,763,831	2,189,265	1,808,487	5,723,196	7,707,750	9,248,066	(26,676,764)	6,763,
ontrolling interests	—	—	—	—	—	1,160,564	(440,428)	720,13
equity	6,763,831	2,189,265	1,808,487	5,723,196	7,707,750	10,408,630	(27,117,192)	7,483,
liabilities and equity	$9,534,965	$2,433,468	$4,401,252	$11,237,870	$8,041,065	$16,234,864	$(39,443,302)	$12,440

NOBLE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEET

December 31, 2015

(in thousands)

	Noble-Cayman	NHC	NDH	NHIL	NDS6	Other Non-guarantor Subsidiaries of Noble	Consolidating Adjustments	Total
ASSETS								
Current assets								
Cash and cash equivalents	$1,627	$—	$2,101	$—	$—	$508,067	$—	$511,795
Accounts receivable	—	—	9,381	—	—	489,550	—	498,931
Taxes receivable	—	12,124	27	—	—	43,291	—	55,442
Short-term notes receivable from affiliates	—	—	119,476	—	—	171,925	(291,401)	—
Accounts receivable from affiliates	626,305	451,201	128,457	811,785	67,684	3,445,590	(5,531,022)	—
Prepaid expenses and other current assets	246	—	1,696	—	—	166,527	—	168,469
Total current assets	628,178	463,325	261,138	811,785	67,684	4,824,950	(5,822,423)	1,234,637
Property and equipment, at cost	—	—	1,877,520	—	—	12,177,038	—	14,054,558
Accumulated depreciation	—	—	(344,591)	—	—	(2,227,740)	—	(2,572,331)
Property and equipment,	—	—	1,532,929	—	—	9,949,298	—	11,482,227

net								
Notes receivable from affiliates	3,304,652	—	236,921	1,587,927	5,000	2,435,154	(7,569,654)	—
Investments in affiliates	5,159,064	2,174,480	3,001,327	9,752,912	7,438,397	—	(27,526,180)	—
Other assets	5,954	—	7,496	—	—	118,869	—	132,319
Total assets	$9,097,848	$2,637,805	$5,039,811	$12,152,624	$7,511,081	$17,328,271	$(40,918,257)	$12,849,183
LIABILITIES AND EQUITY								
Current liabilities								
Short-term notes payables from affiliates	$—	$171,925	$—	$—	$—	$119,476	$(291,401)	$—
Current maturities of long-term debt	—	—	—	299,924	—	—	—	299,924
Accounts payable	—	—	10,676	—	—	210,401	—	221,077
Accrued payroll and related costs	—	—	6,584	—	—	74,780	—	81,364
Accounts payable to affiliates	868,046	60,100	2,440,965	96,543	6,426	2,058,942	(5,531,022)	—
Taxes payable	—	917	—	—	—	87,191	—	88,108
Interest payable	—	—	—	68,549	4,412	—	—	72,961