Rowan Companies plc

U.K. Annual Report and Statutory Accounts
Registered number 07805263
31 December 2015

Rowan Companies plc ("Rowan" or the "Company") is subject to disclosure regimes in both the U.S. and U.K. While some of the disclosure requirements in these jurisdictions overlap or are otherwise similar, some differ and require distinct disclosures. The contents of this document form part of the U.K. annual report and statutory accounts of Rowan for the year ended 31 December 2015, as required by English law. Parts of the Company's U.S. Annual Report on Form 10-K for the year ended December 31, 2015, and most recent Proxy Statement filed with the U.S. Securities and Exchange Commission (the "SEC") form a part of this report and are herein incorporated by reference. Such Annual Report on Form 10-K and Proxy Statement can be found on the SEC website at www.sec.gov and are posted on the Company's website at www.rowan.com.

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STRATEGIC REPORT

Rowan Companies plc is a public limited company incorporated under the laws of England and Wales and listed on the New York Stock Exchange. The terms “Rowan,” “Rowan plc,” “company,” “we,” “our” and “group” refer to Rowan Companies plc and its consolidated subsidiaries, unless the context otherwise requires.

For reference to the Company's risks, see "Risk Factors," beginning on page 9 of the company’s U.S. Annual Report on Form 10-K for the year ended December 31, 2015 (“Form 10-K”), which is incorporated by reference into this report.

OUR BUSINESS

Rowan plc is a global provider of offshore contract drilling services to the international oil and gas industry, with a focus on high-specification and premium jack-up rigs and ultra-deepwater drillships. Our fleet currently consists of 31 mobile offshore drilling units, including 27 self-elevating jack-up rigs and four ultra-deepwater drillships. Our fleet operates worldwide, including the United States Gulf of Mexico (US GOM), the United Kingdom (U.K.) and Norwegian sectors of the North Sea, the Middle East and South America. In 2015, we completed our ultra-deepwater drillship construction program with the following four new drillships:

- the *Rowan Renaissance,* which commenced drilling operations offshore West Africa in April 2014 and is now operating in the US GOM;
- the *Rowan Resolute,* which commenced operations in the US GOM in October 2014;
- the *Rowan Reliance,* which commenced operations in the US GOM in February 2015; and
- the *Rowan Relentless,* which commenced operations in the US GOM in June 2015.

Our customers include national and international oil companies, as well as independent operators. We contract our drilling rigs, related equipment and work crews primarily on a "day rate" basis. Under day rate contracts, we generally receive a fixed amount per day for each day we are performing drilling or related services. In addition, our customers may pay all or a portion of the cost of moving our equipment and personnel to and from the well site. Contracts generally range in duration from one month to multiple years.

During periods of weak demand and declining day rates, we have historically entered into contracts at lower rates in order to keep our rigs working. At times, however, market conditions have forced us to "cold-stack" rigs to reduce costs during extended periods between contracts. During 2015, we cold-stacked three of our jack-up rigs (two in the US GOM and one in Malaysia), which remain cold-stacked.

In 2015, we sold our three oldest jack-up rigs – the *Rowan Juneau, Rowan Alaska* and *Rowan Louisiana*. The *Rowan Juneau* and *Rowan Alaska,* which had not worked in several years, were sold under agreements that prohibit their future use as drilling units.

See page 20 of our Form 10-K, included in Appendix B of this report, for a listing of our principal drilling units.

Risks and Uncertainties

A number of factors affect our ability to obtain contracts at profitable rates within a given region. Such factors, which are discussed further under “Forward-Looking Statements,” “Competition”, and “Risk Factors” on pages 2 through 3, 6 and 9, respectively, of our Form 10-K and include the global economic climate; the prices of crude oil and natural gas, which affect our customers' drilling programs and budgets; over- or under-supply of drilling units; location and availability of competitive equipment; the suitability of equipment for the project; comparative operating cost of the equipment; competence of drilling personnel and other competitive factors. Profitability may also depend on receiving adequate compensation for the cost of moving equipment to and from drilling locations.

STRATEGY AND COMPETITIVE STRENGTHS

Our competitive strengths and elements of our strategy include:

Competitive Differentiation in Drilling Demanding Wells with our Jack-up Fleet. We believe our offshore fleet of 27 jack-up rigs, including 19 high-specification rigs, is one of the most capable jack-up rig fleets in our industry. Despite challenges in the current market environment, these rigs typically maintain higher utilization rates compared to lower specification jack-up rigs. Each of our high-specification jack-up rigs has two million pounds or greater hook-load capability, which allows us to drill deeper and more challenging wells than conventional jack-up rigs. Recently, we were ranked first among offshore drillers for high pressure, high temperature (HPHT) applications according to EnergyPoint Research, Inc. surveys. We have secured the first place ranking in this category for five out of the last six years, as evidence of success in our mission to be recognized by our customers as the most efficient and capable provider of demanding contract drilling services. We also have eight premium independent-leg cantilever rigs that can all operate in at least 300 feet of water in benign environments.

Ultra-Deepwater Drillships Offer Diversification of Operating Cash Flow. In 2015, we completed our ultra-deepwater construction program with our third and fourth drillships, the *Rowan Reliance* and *Rowan Relentless,* commencing operations under budget and well ahead of schedule. All four of our drillships commenced operations under contract following delivery from the shipyard. Our drillships are among the most highly capable floating rigs in the world. We believe our long-standing reputation for operational excellence with jack-ups has transferred successfully to our ultra-deepwater operations, and we have received very positive feedback from our customers. Importantly, compared to the jack-up market, the ultra-deepwater market often provides higher revenues and longer-term contractual commitments which we believe will provide more diversified and predictable cash flows, than would be provided by a drilling fleet consisting solely of jack-ups.

Geographic Diversity. We are a global company with offshore operations currently in the US GOM, the U.K. and Norwegian sectors of the North Sea, the Middle East and South America, and we have recently operated in Southeast Asia and West and North Africa. We believe our geographic diversity helps reduce our exposure to regional downturns, enabling us to take advantage of changing market conditions, and provides access to new and emerging markets. Markets outside the US GOM typically offer opportunities for longer term contracts. For more information, see “Our Drilling Markets” on page 4 of this report.

Strong Safety and Environmental Protection Culture. We are committed to keeping our employees safe and protecting the environment. All of our employees, contractors and consultants, as well as any third-party personnel working on our facilities and rigs, have the authority and obligation to stop work if either they do not understand the job at hand or if they perceive a risk to the safety of any person or the environment. In 2015, we achieved our lowest ever Total Recordable Incident Rate (TRIR), demonstrating a 30% improvement over the previous year. We are pleased with the continued improvement, but we remain committed to achieving our goal of zero injuries. For more information, see “Safety and Environment” on page 8 of this report.

Competitive Cost Structure. Since 2014, we have implemented significant cost control measures, resulting in reductions compared to 2014 levels of operating costs by approximately 14% (excluding reimbursable expenses and normalized for incremental 2015 drillship operating days); selling, general and administrative costs by approximately 8%; and non-newbuild capital expenditures by approximately 49%. Additionally, as market conditions worsened and rigs became idle, we had to make difficult decisions regarding our workforce needs, and we reduced headcount by approximately 16% by the end of 2015.

Strong Contract Backlog. As of 20 April 2016, our contract backlog was approximately $3.1 billion, with $1.3 billion estimated to be realized in 2016, $1.2 billion in 2017, $0.3 billion in 2018, and $0.3 billion thereafter. Approximately 87% of this backlog is contracted with national oil companies, major international oil companies and large investment-grade exploration and production companies. We believe these customers tend to have a longer-term view on their drilling plans and capital budgets, and are therefore less likely to react to short-term fluctuations in the price of crude oil and natural gas.

Conservative Financial Profile and Sound Capital Management. We ended 2015 with nearly $2 billion of liquidity, consisting of $485 million of cash and $1.5 billion available under our revolving line of credit. Despite the tightening of credit within our industry, in 2015 we successfully increased our revolving credit facility from $1.0 billion to $1.5 billion, and in early 2016, our lenders agreed to extend the maturity an additional year to 2021. In 2015, we also retired approximately $98 million of senior notes, which would have become due over the next four years, eliminating over $21 million of interest over the same time period, and in 2016 we retired an additional $48 million of notes through May 11. Further, we discontinued our quarterly cash dividend in early 2016 in light of market conditions, providing additional liquidity of $50 million annually.

Experienced Management Team. We are led by a management team with substantial experience in the offshore drilling sector as well as with our company. Our top eight members of our senior management team have on average approximately 28 years of experience in the offshore drilling industry, including 11 years with Rowan.

For some of the ways we measure our success, see “Key Performance Indicators” on page 4 of this report.

Our Drilling Markets

Over the past decade, oil companies have placed increased emphasis on exploring for hydrocarbons in deeper waters. This focus on deepwater is due, in part, to technological developments that have made such exploration more feasible and cost-effective. Water-depth capability has therefore become a key factor in determining a rig's suitability for a particular drilling project. In 2015, we took delivery of our fourth ultra-deepwater drillship, and all four of our drillships are capable of drilling in up to 12,000 feet of water. The major deepwater markets of the world include the US GOM, Brazil and West Africa. All four drillships are currently under contract in the US GOM.

With respect to our jack-up drilling units, our primary drilling markets are currently the Middle East, U.K. and Norwegian sectors of the North Sea, the US GOM and South America. As demand shifts among geographic areas, we may from time to time relocate rigs to a different region. The relocation of rigs is a significant undertaking, and often interrupts revenues and cash flows for several months, particularly when equipment upgrades are involved.

The North Sea is a mature, harsh-environment offshore drilling market that operates within a highly regulated environment. Project lead times are often lengthy, and drilling assignments, which typically require ultra-premium equipment capable of handling extreme weather conditions and high down-hole pressures and temperatures, can range from several months to several years. We currently have five rigs under contract in the U.K. and Norwegian sectors of the North Sea and one rig available.

In the Middle East, we maintain a long-standing relationship with Saudi Aramco, for whom we are a key provider of drilling services. We believe that Saudi Aramco will continue to have a high demand for jack-up drilling services in the future. We currently have ten rigs under contract in the region, including nine in Saudi Arabia and one in Qatar. Nine of these rigs are contracted to Saudi Aramco. An eleventh rig is available in the Middle East.

The US GOM jack-up drilling market is fragmented among many participants, many of which are independent operators whose drilling activities may be highly dependent on near-term operating cash flows. A typical drilling assignment is performed under a well-based contract with negotiable renewal options. For jack-up rigs in the US GOM, contracts with a duration of more than a few months have been relatively rare, and generally are available only from the major integrated oil companies and a few of the larger independent operators. Jack-up demand in the US GOM has been weak over the last few years as a result of the weak natural gas prices. We currently have one jack-up under contract in the US GOM, two that are cold-stacked and one that is available.

We also have three jack-ups under contract in South America, including two in Trinidad and one in Suriname. We have two rigs available in Malaysia that will be relocating to the Middle East during the second quarter of 2016, and a third rig that is cold-stacked in Malaysia.

Key Performance Indicators

Key performance indicators we use to measure our success include:

- Rig utilization rates (i.e., the number of days our rigs are under contract divided by the number of calendar days in the year);
- Fleet average day rates;
- Out-of-service time (the periods during which no revenues are recognized such as, for example, shipyard time and rig transit periods between contracts); and
- Project management success (adherence to budgeted cost).

Other key performance indicators we use to measure our success are:

- Earnings before interest, taxes, depreciation and amortization (EBITDA);
- Total Recordable Incident Rate (TRIR), which is a measure of our safety performance;
- Operational downtime (the unbillable time a rig is under contract and unable to conduct planned operations due to equipment breakdowns or procedural failures); and
- Strategic objectives, measured by (i) drilling performance, (ii) cost control, (iii) inventory, working capital, and capital expenditures management, and (iv) credit rating.

These four measures formed the foundation of our 2015 annual incentive program.

Our "Business Review," which includes a review of some of our key performance indicators, begins on page 8 of this report.

CORPORATE SOCIAL RESPONSIBILITY

Rowan's mission is to be recognized by our customers as the *most efficient* and *capable* provider of demanding contract drilling services.

In striving to fulfill our mission, we vigilantly focus on the following values:

- We treat each other, our customers and suppliers with respect;
- Commit ourselves to an injury free workplace;
- Uphold the highest standards of integrity;
- Protect the environment; and
- Create a culture of continuous improvement.

We also have made the following shareholder commitment: Our shareholders have entrusted us with significant wealth, and we are committed to managing the company for their benefit.

We strive to deliver our mission, values and commitment to shareholders every day, in every operation around the world. We have also made a strong commitment to our employees. We want each of our employees to be part of a winning team, to know that the company wants to develop them and to provide meaningful careers. We must promote a healthy work-life balance, while maintaining top-level performance.

In the following pages of this report, we discuss our efforts with respect to our people, our communities and safety and the environment.

Best Place to Work

We place considerable value on the involvement, development and engagement of our employees. Our people create our success. They provide the experience and superior service quality that drives our growth. In order to develop and maintain our employees, we:

- Conduct annual performance appraisals and performance conversations.
- Have a talent management system, which provides employees with access to their talent profiles, training and competence needs, career path development and many other useful tools to help them plan their Rowan careers.
- Pay competitive compensation and benefits in every region in which we operate. We match each job in our company with similar jobs to ensure we are paying our employees a fair and competitive wage. We also provide competitive health, welfare and pension benefits in each of our areas of operation.
- Provide classroom and on-line training programs to ensure our employees are competent for the roles they hold and are able to increase their skills to continue to grow in our organization.
- Implement succession planning, which is the process by which we identify, develop and retain a sustainable bench of skilled leaders.
- Promote work-life balance and wellness of our employees through programs such as condensed work week options and various health initiatives.
- Communicate often with all employees through email, newsletters and employee meetings.

We give full and fair consideration to the employment of disabled persons, taking into account the degree of disability, proposed job function and working environment. In the event an employee becomes disabled, we strive to make reasonable accommodations for continuing employment where possible.

Rowan’s Human Resources policies and procedures are described in detail and are available online to all employees through the company’s internal management system. Our policies take into account employment laws and regulations and best practice. New policies, procedures and related training are developed as required.

Through the diligent and hard work of our employees, we are able to live our values and achieve our mission as one team.

Organizational Development - Learning, Competence, Performance and Career

Rowan's most important asset is our people, and we are committed to maintaining our highly skilled workforce through sustained investment in training and development. We want to ensure that capable leaders are cultivated, and that our people have the skills to deliver on our business strategy both now and in the future. To this end we have policies and procedures that dictate how we will administer training and competence as required by regulation or by us or our customers.

Operating drilling rigs in the major offshore drilling markets of the world for dozens of different customers necessitates that we have a well-structured method for the determination and identification of required training. The company's training requirements are best described as a matrix that includes requirements determined by:

- Industry requirements;
- Country of operation requirements;
- Rig specific requirements;
- Position or job level requirements;
- Customer-specific requirements; and
- Rowan requirements.

Our training department maintains oversight of this matrix in close partnership with our operations leadership and with input from all of our areas of operation. This collaborative model of governance ensures that Rowan remains compliant as well as ensuring our people remain at the forefront of learning and development.

Because our business demands that our people continually learn and develop, we introduced our talent management system in 2013 to our global population. The management system is an integrated online resource for employee development, performance and career growth. In keeping with our culture of ambition and hard work, this platform was designed to allow employees easier access to training and development resources as well as to increase reporting capabilities which should enable management to help drive employee performance. The management system is organized in four tracks: Learning, Competence, Performance and Career.

- The Learning Track makes it simple to see what learning is required to stay compliant with the training requirements for specific positions. It is a resource for developing employee skills needed to advance in the company. It is also the portal through which training is scheduled. In 2015, we further refined the Learning Track by introducing formal on-the-job training (OJT) for our offshore employees. OJT's are defined for each offshore role and enhance the knowledge and competence of our workforce to assure a safe work environment for all personnel.

- In those regions where it is active, the Competence Track streamlines the administration of competency, allowing employees to see at a glance how they are progressing against their competency profile. The Competence Track is a resource for tracking employee progression as they build their career. In the U.K., Rowan operates within a competence management system approved by OPITO (a skills, training, and workforce development organization for oil and gas industry) and the International Association of Drilling Contractors.

- The Performance Track affords employees and managers a secure method to complete annual performance appraisals as well as a place to view current and historical performance appraisals.

- The Career Track houses individual employee talent profiles. These profiles display the historical record of each employee's work and skills as well as allow employees to express interests in the areas of Rowan in which they would most like to work. This information is used by management to aide in succession and replacement planning.

It is our intent to develop our workforce to meet company expectations, customer demands and regulatory requirements as well as to prepare our workforce for increased responsibility and leadership. We wish to continually set standards of excellence, both personally and professionally, which exemplify our dedication to Rowan's mission and vision.

Employees

The majority of our personnel work offshore, and historically, crews have been predominantly male in the offshore drilling sector. While Rowan takes pride in all our employees, we have an active women's initiative that promotes the role of women both in our company and the industry. The following information about our directors and employees is presented as of 31 December 2015:

	No. of males		No. of females		Total
	Onshore	Offshore	Onshore	Offshore	
Directors (Parent)	9	—	1	—	10
Senior managers (Group)	18	—	3	—	21
Employees, including senior managers (Group)	458	2,828	181	29	3,496

Community Involvement

We encourage our employees to be involved in the communities in which we live and work. To support those efforts, we have a charitable contributions policy under which employees may seek financial support for charitable and non-profit organizations. The charitable contributions committee meets monthly to review requests and approve funding. The Company has budgeted up to $150,000 for charitable contributions for 2016. The focus of these efforts is to contribute to organizations in our areas of operations that are focused on:

- Education;
- Health, safety and environment;
- Community, civic and social organizations; and
- Arts, culture and humanities.

Human Rights Issues

While Rowan does not currently have a specific human rights policy, it does have policies that adhere to human rights principles, some of which are summarized below. Our employees receive training on these policies and have access to them at each of our facilities.

- *Code of business conduct and ethics*: We expect all employees to uphold the highest levels of honesty, integrity and ethical standards, to act in full compliance with all applicable laws in the performance of their jobs and the conduct of our business and operations and to avoid actual or apparent conflicts of interest between their personal and professional affairs. Other provisions of the code provide:
    - We work to maintain a professional, safe and discrimination-free work environment, where mutual respect is the absolute minimum behavior expected from everyone. It is our policy to hire, evaluate and promote employees on the basis of their ability, achievements, experience and performance.
    - At Rowan, ethnic, sexual, racial, religious or any other type of harassment is unacceptable. The Company prohibits sexual harassment of any kind, including inappropriate or unwelcome sexual behavior, either physical or verbal in nature, whether the harasser or the victim is a co-worker, supervisor, agent, customer, guest or vendor.
- *Equal opportunity*: We are committed to equal opportunity in recruiting, hiring, developing, promoting and compensating employees without regard to one's race, color, religion, national origin, disability, citizenship, age, sex, marital status or any other basis that is protected under applicable law.
- *Minimum hiring age*: We will only employ persons over 18 years of age for full-time employment. In certain cases, we may hire those 16 years of age and older for certain shore-based part-time or temporary positions.
- *Anti-Bribery*: We prohibit our employees from making or offering to make gifts, payments or other inducements to certain recipients if the gifts, payments or inducements are made to corruptly influence official business.

In addition, our management team reinforces our value statements at employee gatherings throughout the year to ensure that we treat each other, our vendors and our customers with respect at all times.

Lastly, we maintain a whistleblower policy and whistleblower hotline, through which employees may call or write anonymously should they have any concerns of violations of any of our policies or values. We receive numerous calls and emails to the hotline and each one is thoroughly investigated by our compliance officer. Investigations that show inappropriate conduct or behavior are handled through disciplinary action, up to and including termination. Results of each investigation and action taken are reported to the audit committee of our board of directors on a quarterly basis.

Safety and Environment

We are committed to an injury-free workplace and to protecting the environment. Our senior management has identified the following seven quality, health, safety and environmental priorities for all employees and third-party personnel:

1. The safety of personnel is our first and highest priority. There is no job so urgent or important that we cannot take the time to plan it well and do it safely.
2. All employees and third-party personnel have an obligation and the authority to stop any activity if they believe it is not safe.
3. We will do what's right. We will comply with all applicable laws and regulations.
4. Our operations will not harm the environment. Each facility will have a plan to prevent pollution and manage any incident to minimize impact to the environment.
5. The Rowan Management System (RMS) is how we conduct our business. We will follow the policies and procedures or change our policies and procedures to reflect best work practice.
6. We will perform risk assessments to ensure the safety of our personnel, the environment and our assets. We will either eliminate any hazards or plan our business to manage risk using appropriate safeguards.
7. We will continuously improve our operations in order to protect the health and safety of personnel, safeguard the environment and improve our service quality.

The offshore drilling business is subject to various environmental hazards, including oil spills, pollutant and greenhouse gas discharges, blowouts and other incidents which may affect the environment. Rowan is committed to preserving the environment and being a responsible steward of the planet's natural resources. We strive to provide our customers with drilling services in an environmentally conscious manner; comply with the environmental laws and regulations of the countries in which we operate; and act responsibly in the absence of laws and regulations. Each of our drilling units have an approved Shipboard Oil Pollution Emergency Plan that establishes detailed procedures for rapid and effective response to spill events that may occur as a result of our operations or those of our customer. This plan is reviewed annually and tested periodically through onboard emergency drills conducted by our crews.

In addition to environmental laws and regulations, Rowan has a number of environmental policies and procedures that outline important requirements and provide guidance to our crews to ensure understanding of international and governmental regulations, including policies regarding waste and garbage management, fuel oil management, bilge water management, sanitary waste, and paint removal and disposal.

We train and educate our employees to be environmentally responsible, to prevent pollution and reduce the amount of waste at each of our facilities. We also actively participate in industry and government organizations to further common environmental objectives.

The company's Greenhouse Gas Emission Statement, which comprises the statutory carbon reporting disclosures required by Companies Act 2006, can be found on page 19 of this report.

BUSINESS REVIEW

For a discussion of the businesses in which we operate, see "Our Business" on page 2 of this report.

RESULTS OF OPERATIONS

Current Business Environment

The business environment for offshore drillers continues to be challenging as commodity prices and demand for drilling services remain low, and the supply of offshore drilling rigs significantly outweighs demand. Following the decline in the price of crude oil which began in 2014, operators worldwide have reduced capital expenditures, cut operating costs and postponed drilling programs resulting in reduced demand for offshore drilling services, downward pressure on day rates and rig utilization, and the cold-stacking and retirement of rigs in the worldwide fleet. In response to jack-up market conditions, we have reduced day rates on certain drilling contracts, some in exchange for extended contract duration; experienced significant idle time on several units; sold three of our oldest jack-ups, and cold-stacked three other jack-up rigs. Given the current outlook, we expect day rates to remain low, and we expect to continue to experience extended periods of idle time on some rigs. Additionally, customers may continue to seek to renegotiate or terminate existing contracts. As market and credit conditions continue to deteriorate in the oil and gas industry, there is an increased risk of a customer default or a termination of contract.

A significant contributing factor to the softness in the offshore drilling market has been the influx of 217 newbuild jack-ups and 156 newbuild floaters delivered since the beginning of the current newbuild cycle in early 2006. The addition of newbuild units, combined with numerous rigs that have rolled off contracts in past months, has continued to increase competition, putting additional downward pressure on day rates and utilization. Further, as of April 20, 2016, there were approximately 122 jack-up rigs under construction worldwide for delivery through 2020 (35% of the currently utilized jack-up fleet of approximately 349 rigs), and approximately 69 floaters under construction worldwide for delivery through 2020 (36% of the currently utilized floater fleet of approximately 191 rigs). Only fourteen jack-ups and thirty-two floaters currently under construction have contracts.

We expect the business environment for the remainder of 2016 to remain challenging and, in the absence of a recovery in commodity prices, may deteriorate further. However, we believe that Rowan is well-positioned strategically given our status as a strong and stable financial counterparty to our customers, current backlog of $3.1 billion as of April 20, 2016, solid operational reputation, and a modern fleet of high-specification jack-ups and state-of-the-art ultra-deepwater drillships. While challenging market conditions persist, we continue to focus on operating efficiencies and cost control, which could include cold-stacking or retiring additional drilling rigs.

Key Performance Measures

The following table presents certain key performance indicators by rig classification:

	2015	2014
Revenues (in thousands):		
Deepwater	$ 730,813	$ 170,502
Jack-ups	1,361,320	1,598,769
Subtotal - Day rate revenues	2,092,133	1,769,271
Other revenues[1]	44,885	55,113
Total revenues	$ 2,137,018	$ 1,824,384
Revenue-producing days:		
Deepwater	1,178	262
Jack-ups	7,852	9,019
Total revenue-producing days	9,030	9,281
Average day rate: [2]		
Deepwater	$ 620,546	$ 650,356
Jack-ups	$ 173,376	$ 177,266
Total fleet	$ 231,699	$ 190,629
Utilization: [3]		
Deepwater	93%	80%
Jack-ups	74%	82%
Total fleet	76%	82%

(1) Other revenues, which are primarily revenues received for contract reimbursable costs, are excluded from the computation of average day rate.

(2) Average day rate is computed by dividing day rate revenues by the number of revenue-producing days, including fractional days. Day rate revenues include the contractual rates and amounts received in lump sum, such as for rig mobilization or capital improvements, which are amortized over the initial term of the contract. Revenues attributable to reimbursable expenses are excluded from average day rates.

(3) Utilization is the number of revenue-producing days, including fractional days, divided by the aggregate number of calendar days in the period, or, with respect to new rigs entering service, the number of calendar days in the period from the date the rig was placed in service.

A summary of our consolidated results of operations follows (in thousands):

	2015	2014
Revenues	$ 2,137,018	$ 1,824,383
Direct operating costs (excluding items below)	(986,301)	(992,991)
Depreciation and amortization	(340,440)	(314,789)
Asset impairments	(3,859,079)	(432,221)
Litigation settlement	(3,816)	20,875
Selling, general and administrative	(113,526)	(122,984)
Other operating items	3,993	(2,777)
Operating loss	(3,162,151)	(20,504)
Other income (expense), net	(145,670)	(102,073)
Income tax benefit	29,159	69,608
Net loss from continuing operations	(3,278,662)	(52,969)
Discontinued operations, net of tax	—	4,023
Net loss	$ (3,278,662)	$ (48,946)

Revenues

Revenues for 2015 increased by 17% to $2.137 billion from $1.824 billion in 2014. The higher revenues for 2015 were primarily due to the addition of the deepwater drillships – the *Rowan Reliance* and *Rowan Relentless* in 2015 and the full-year effect of the *Rowan Renaissance* and *Rowan Resolute,* which commenced operations in 2014.

An analysis of the net changes in revenues for 2015 compared to 2014 is set forth below (in millions):

	Increase (decrease)
Addition of the *Rowan Reliance* and *Rowan Relentless* in 2015	$ 290.4
Addition of the *Rowan Renaissance* and *Rowan Resolute* in 2014	269.9
Lower jack-up utilization	(206.9)
Lower average day rates for existing rigs	(30.6)
Revenues for reimbursable costs and other, net	(10.2)
Net increase	$ 312.6

Direct operating costs

Changes in direct operating costs for 2015 compared to 2014 follow (in millions):

	Increase (decrease)
Addition of the *Rowan Reliance* and *Rowan Relentless* in 2015	$ 76.4
Addition of the *Rowan Renaissance* and *Rowan Resolute* in 2014	68.4
Return to work of the *Rowan Gorilla III, Rowan Gorilla VI* and the *Rowan Viking*	32.2
Decrease due to idle, sold, or cold-stacked rigs	(75.8)
Reduction of regional shore bases	(13.4)
Reimbursable costs	(10.1)
Other, net - primarily repair and maintenance and personnel costs for other rigs	(84.4)
Net decrease	$ (6.7)

Depreciation and amortization

An increase in depreciation of 8% in 2015 over 2014 was primarily due to the addition of the four drillships.

Asset impairments

In 2015 we conducted an asset impairment test and determined that the carrying values of our offshore drilling units were in excess of their recoverable amount. As a result, we recognized asset impairment charges in the amount of $3.9 billion in 2015 compared to impairment charges of $432 million in 2014. (See note 5 to the financial statements.)

Litigation settlement

In 2015, we recognized a $3.8 million charge for the termination of a contract in connection with refurbishment work on the *Rowan Gorilla III.*

In 2014, the Company settled its litigation with the owners and operators of a tanker that collided with the *Rowan EXL I* in 2012 and received $20.9 million in cash as compensation for damages incurred in 2012 for repair costs to and loss of use of the rig. Such amount was recognized in operating income in 2014.

Selling, general and administrative

Selling, general and administrative expenses for 2015 decreased by $9.5 million or 8% compared to 2014, primarily due to cost-reduction measures, which included reductions in headcount and fewer professional services.

Other operating items

Other operating items for 2015 includes a net gain on sales of equipment totaling $7.7 million less foreign currency exchange losses of $3.7 million.

Other operating items for 2014 includes a provision for a contingent claim in the amount of $3.8 million, and a net gain of $1.0 million in connection with equipment sales and other.

Provision (benefit) for income taxes

In 2015, we recognized an income tax benefit of $29.2 million on a pretax loss of $3.3 billion. The 2015 tax benefit was primarily due to the tax benefit for the U.S. impaired assets.

In 2014, we recognized an income tax benefit of $69.6 million on a $122.6 million pretax loss from continuing operations. The benefit was primarily due to a settlement agreement reached with the U.S. Internal Revenue Service in September 2014, recognition of additional gains and losses on prior-year intercompany rig sales, and a tax benefit for the U.S. impaired assets.

Discontinued operations, net of tax

In 2014, we sold a land rig that was retained in connection with the 2011 sale of the Company's manufacturing operations and recognized a gain on sale of $4.0 million, net of tax effects.

Results of Operations by Operating Segment

An analysis of our operating income (loss) by operating segment follows (in thousands):

	Deepwater	Jack-ups	Unallocated costs and other	Consolidated
2015:				
Revenues from external customers	$ 747,792	$ 1,389,226	$ —	$ 2,137,018
Operating expenses:				
Drilling operating expenses	(276,542)	(709,759)	—	(986,301)
Depreciation	(94,613)	(232,927)	(12,900)	(340,440)
Asset impairments	(1,307,969)	(2,551,110)	—	(3,859,079)
Adjustment to a provision for a legal claim	—	(3,816)	—	(3,816)
General and administrative	—	—	(113,526)	(113,526)
Other operating gains (losses)	—	8,529	(4,536)	3,993
Income (loss) from operations	$ (931,332)	$ (2,099,857)	$ (130,962)	$ (3,162,151)
2014:				
Revenues from external customers	$ 179,834	$ 1,644,549	$ —	$ 1,824,383
Operating expenses:				
Drilling operating expenses	(87,778)	(905,213)	—	(992,991)
Depreciation	(24,410)	(275,690)	(14,689)	(314,789)
Asset impairments	—	(423,921)	(8,300)	(432,221)
Litigation settlement	—	20,875	—	20,875
General and administrative	—	—	(122,984)	(122,984)
Other operating gains (losses)	—	(3,750)	973	(2,777)
Income (loss) from operations	$ 67,646	$ 56,850	$ (145,000)	$ (20,504)

Deepwater – Revenues from deepwater increased by 316% over 2014 due to the startup of drillship operations in 2014 and 2015. Two drillships commenced operations in 2014 and two in 2015. Direct operating costs (exclusive of depreciation and other operating items) as a percentage of revenues declined to 37% of revenues in 2015 from 49% of revenues in 2014 primarily as a result of improved utilization in 2015. In 2015, we recognized drillship impairments totaling $1.3 billion (2014: nil).

Jack-ups – Revenues from jack-up operations decreased by 16% from 2014 levels due to lower utilization and average day rates in 2015. Direct operating costs (exclusive of depreciation and other operating items) as a percentage of revenues declined to 51% of revenues in 2015 from 55% of revenues in 2014 primarily as a result of cost-reduction measures implemented in 2014 and 2015 and lower out-of-service time in 2015. In 2015, we recognized jack-up impairments totaling $2.6 billion versus $424 million recognized in 2014.

The $3.8 million litigation settlement in 2015 consists of a charge for the termination of a contract in connection with refurbishment work on the *Rowan Gorilla III.* The litigation settlement in 2014 consists of $20.9 million of cash proceeds received for damages to the *Rowan EXL I* as a result of a 2012 collision with a tanker.

Other operating items consists primarily of equipment sales gains and losses and other.

LIQUIDITY AND CAPITAL RESOURCES

Key balance sheet amounts and ratios at December 31 were as follows (dollars in millions):

	2015	2014
Cash and cash equivalents	$ 484.2	$ 339.2
Current assets	$ 924.1	$ 914.3
Current liabilities	$ 412.0	$ 406.0
Current ratio	2.24	2.25
Long-term debt	$ 2,692.4	$ 2,788.5
Shareholders' equity	$ 1,440.5	$ 4,862.9
Debt to capitalization ratio	65%	36%

Sources and uses of cash and cash equivalents were as follows (in millions):

	2015	2014
Net operating cash flows	$ 997.0	$ 423.0
Borrowings, net of issue costs	220.0	793.4
Payment of cash dividends	(50.5)	(37.7)
Capital expenditures	(722.9)	(1,958.2)
Debt reductions	(317.9)	—
Proceeds from asset disposals	19.4	22.0
Proceeds from equity compensation plans	—	4.7
All other, net	—	(0.9)
Total net source (use)	$ 145.1	$ (753.7)

Operating Cash Flows

Cash flows from operations increased to approximately $997 million in 2015 from $423 million in 2014. Operating cash flows for 2015 compared to 2014 were positively impacted by the startup of the drillships in 2014 and 2015 and favorable changes in working capital, including lower pension contributions in 2015.

Backlog

Our backlog by geographic area as of the date of our most recent Fleet Status Report is presented below (in thousands):

	April 20, 2016		
	Jack-ups	Deepwater	Total
US GOM	$ 18,488	$ 1,201,828	$ 1,220,316
Middle East	1,283,974	—	1,283,974
North Sea	447,329	—	447,329
South America	175,675	—	175,675
Total backlog	$ 1,925,466	$ 1,201,828	$ 3,127,294

We estimate our backlog will be realized as follows (in thousands):

	April 20, 2016		
	Jack-ups	Deepwater	Total
2016	$ 646,845	$ 620,713	$ 1,267,558
2017	622,833	563,055	1,185,888
2018	306,730	18,060	324,790
2019	64,970	—	64,970
2020 and later years	284,088	—	284,088
Total backlog	$ 1,925,466	$ 1,201,828	$ 3,127,294

Our contract backlog represents remaining contractual terms and may not reflect actual revenue due to a number of factors such as rig downtime, estimated contract durations and possible customer concessions.

About 68% of our remaining available rig days in 2016 and 45% of available rig days in 2017 were under contract or commitment as of April 20, 2016, excluding cold-stacked rigs. As of that date, we had three jack-ups that were cold-stacked and five that were available.

Investing Activities

With the delivery of our fourth and final drillship in 2015, we concluded our ultra-deepwater drillship construction program. We took delivery of the first three drillships in 2014.

Capital expenditures in 2015 totaled $722.9 million and included the following:

- $541.3 million for construction of the *Rowan Reliance* and *Rowan Relentless,* including costs for mobilization, commissioning, riser gas-handling equipment, software certifications and spares.
- $132.5 million for improvements to the existing fleet, including contractually required modifications; and
- $49.1 million for rig equipment inventory and other.

We currently estimate our 2016 capital expenditures to range from $180-$190 million, primarily for fleet maintenance, rig equipment, spares and other. This amount excludes any contractual modifications that may arise due to our securing additional work.

We expect to fund our 2016 capital expenditures using available cash and cash flows from operations.

The capital budget reflects an appropriation of money that we may or may not spend, and the timing of such expenditures may change. We will periodically review and adjust the capital budget as necessary based upon current and forecast cash flows and liquidity, anticipated market conditions in our business, the availability of financial resources, and alternative uses of capital to enhance shareholder value.

Capital expenditures for 2014 totaled $2.0 billion and included $1.6 billion towards drillship construction; $345 million for improvements to the existing fleet, including contractually required modifications; and $53 million for rig equipment, spares and other.

Financing Activities

In January 2014, we completed the issuance and sale in a public offering of $400 million aggregate principal amount of 4.75% Senior Notes due 2024, and $400 million aggregate principal amount of 5.85% Senior Notes due 2044. Net proceeds of the offering were approximately $792 million, which the Company used for its drillship construction program and for general corporate purposes.

In May 2015, the Company amended and restated its revolving credit agreement to increase the borrowing capacity under the facility from $1 billion to $1.5 billion and to extend the maturity date by one year to January 2020. In January 2016, the Company further amended the revolving credit agreement to extend the maturity date by one year to January 2021. Availability under the facility is $1.5 billion through January 23, 2019, declining to $1.44 billion through January 23, 2020, and to approximately $1.29 billion through the maturity in 2021. There were no amounts drawn under the revolving credit facility at December 31, 2015.

During 2015, we paid $101.1 million in cash to retire $97.9 million aggregate principal amount of the 5% Notes due 2017 and 7.875% Notes due 2019, plus accrued interest, and recognized a $1.5 million loss on early extinguishment of debt. In 2016 (through May 11), we repurchased an additional $47.9 million of notes for $45.8 million in cash, plus accrued interest, and recognized a $2.4 million gain on debt extinguishment.

As of December 31, 2015, we had $2.7 billion of outstanding long-term debt consisting of $366.6 million principal amount of 5% Senior Notes due September 2017; $435.5 million principal amount of 7.875% Senior Notes due 2019; $700 million principal amount of 4.875% Senior Notes due 2022; $400 million aggregate principal amount of 4.75% Senior Notes due 2024; $400 million principal amount of 5.4% Senior Notes due 2042; and $400 million aggregate principal amount of 5.85% Senior Notes due 2044 (together, the “Senior Notes”). The Senior Notes are fully and unconditionally guaranteed on a senior and unsecured basis by Rowan plc.

Interest payments on the Senior Notes currently approximate $150 million annually, after giving effect to repurchases made in 2016. No principal payments are required until each series’ final maturity date. Management believes that cash flows from operating activities, existing cash balances, and amounts available under the revolving credit facility will be sufficient to satisfy the Company’s cash requirements for the following twelve months.

Restrictive provisions in the Company’s bank credit facility agreement limit consolidated debt to 60% of book capitalization, computed in accordance with U.S. Generally Accepted Accounting Principles (US GAAP). Our consolidated debt to total capitalization ratio computed in accordance with US GAAP was 36% at December 31, 2015.

Other provisions of our debt agreements limit the ability of the Company to create liens that secure debt, engage in sale and leaseback transactions, merge or consolidate with another company and, in the event of noncompliance, restrict investment activities and asset purchases and sales, among other things. The Company was in compliance with its debt covenants at December 31, 2015, and expects to remain in compliance throughout 2016.

By order of the Board of Directors

/s/ Thomas P. Burke

Thomas P. Burke
Chief Executive Officer and Director

May 11, 2016

DIRECTORS' REPORT

The directors of Rowan Companies plc present their Annual Report on the affairs of the group, together with the financial statements and auditor's report, for the year ended 31 December 2015. The group accounts have been prepared, for the first time, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Details of adjustments arising to prior periods in respect of transitioning from US GAAP to IFRS are provided in note 2 to the financial statements.

Financial instruments

Information about the use of financial instruments by the company and its subsidiaries is given in note 21 to the financial statements.

Essential contracts

The group has contractual and other arrangements with numerous suppliers, customers and other third parties in support of its business activities. In 2015, Saudi Aramco, ConocoPhillips and Anadarko accounted for 19%, 13%, and 10%, respectively, of consolidated revenues.

Branches

The group maintains branch operations in Bahrain, Dubai, Norway, Qatar, Saudi Arabia and Trinidad. Our U.S. Executive offices of the group are located in Houston, Texas.

Capital Structure

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 9 to the parent company financial statements. Details of employee share schemes are set out in note 20 of the group financial statements.

Acquisition of company shares

The company did not acquire its shares under any share repurchase program in 2015. Any shares that the company may acquire under a director-approved share repurchase program would be cancelled.

The company established an employee benefit trust (EBT) for purposes of administering the group's share-based awards granted under the shareholder approved incentive plan. The EBT may be used to issue shares of the company under such plan or to acquire shares from participants upon forfeiture of nonvested restricted shares or in satisfaction of tax withholding requirements. Shares held by the EBT are treated as treasury shares for accounting purposes, and are not eligible for voting or receipt of dividends. During 2015, the EBT acquired approximately 1,164,000 shares as a result of award forfeitures (which are acquired by the EBT at no cash cost) and in satisfaction of tax withholding requirements at a cost of approximately $1.4 million. At 31 December 2015, the EBT held approximately 1,133,000 shares.

Dividends

In 2014, the company paid three quarterly cash dividends of $0.10 per share. In 2015, the company paid four quarterly cash dividends of $0.10 per share.

In January 2016, the company announced it would discontinue its quarterly dividend.

Political donations

The company did not make any political contributions during 2015.

Qualifying indemnity provisions

The company has entered into indemnification arrangements with each of the executive officers of the company and non-executive directors. In addition, the prior existing indemnification agreements with Rowan Delaware remain in place. The form of such agreements has been filed with the SEC. These agreements provide for the Company to, among other things, indemnify the individual against certain liabilities that may arise by reason of his or her status or service as a director or officer, to advance expenses incurred as a result of certain proceedings and to cover him or her under our directors' and officers' liability insurance policy. These agreements are intended to provide indemnification rights to the fullest extent permitted under U.K. and Delaware law and under our governing documents and those of Rowan Delaware. The Company also provides standard third-party director insurance.

Directors

The following persons were directors of the company during the year ended 31 December 2015 and up to the date of this report, except as noted:

William E. Albrecht (appointed 28 October 2015)
Thomas P. Burke
William T. Fox III (retired 28 April 2016)
Sir Graham Hearne (Chairman of the Board, effective 28 April 2016)
Thomas R. Hix
Jack B. Moore (elected 28 April 2016)
Lord Colin Moynihan (retired 1 May 2015)
Suzanne P. Nimocks
P. Dexter Peacock
John J. Quicke
W. Matt Ralls (Executive Chairman of the Board, retired 28 April 2016)
Tore I. Sandvold

Details of the directors' remuneration and their interests in the shares of the company are set out in Annex A and Annex B of the proxy statement for the general meeting of shareholders to be held on June 30, 2016 (the "Proxy Statement"), which is incorporated by reference into this report and included in Appendix A.

Greenhouse Gas Emissions Statement [(1)]

Protection of the environment is one of Rowan's core values. Rowan has reported all material emissions from owned and operated assets for which the company has operational control. An organization has operational control if it has full authority to introduce and implement its operating policies in its business. Rowan has determined that approximately 99% of its total emissions are attributable to combustion of diesel fuel used in its offshore drilling operations, which comprises a fleet of 27 active offshore jack-up drilling rigs and four ultra-deepwater drillships. Rowan believes that the remaining 1% of its emissions is attributable to purchased electricity used for its office/warehouse facilities in approximately 15 locations throughout the world, the company's passenger vehicle fleet and fugitive refrigerants. Rowan has excluded emissions from its passenger vehicle fleet and fugitive refrigerants due to immateriality.

On occasion, offshore drilling operations involves the flaring of natural gas. Flaring of natural gas is under the authority and control of the operator of the oil and gas property (i.e., the client) and therefore has not been reported by Rowan under the operational control consolidation approach.

In the table below, Scope 1 emissions are direct emissions from assets controlled by the reporting organization. Scope 2 emissions are direct emissions from assets controlled by other organizations that are purchased by the reporting organization and include purchased electricity, heat, steam or cooling to the extent such emissions are material. Fugitive emissions attributable to flaring have not been included within the scope of the data under the operational control approach utilized.

Assessment Parameters

Baseline year	The reporting period used for this information is 1 January 2015 through 31 December 2015.
Consolidation approach	Operational control.
Boundary summary	All facilities either owned or under operational control were included.
Consistency with financial statements	The company leases approximately 15 office/warehouse facilities that are under operational control and included in emissions but are not recognized on its balance sheet.
Emissions factor data source	U.K. Government's GHG Conversion Factors for Company Reporting
Assessment methodology [(2)]	The GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and ISO 14064-1 (2006)
Materiality threshold	Materiality was set at group level at 5%, with all facilities estimated to contribute >1% of total emissions included.
Intensity ratio	Emissions per rig fleet horsepower rating (RFHR)

	2015		2014	
Greenhouse Gas Emission Source	**tCO_2e [(3)]**	**tCO_2e/1,000 RFHR [(4)]**	**tCO_2e [(3)]**	**tCO_2e/1,000 RFHR [(4)]**
Combustion of fuel and operation of facilities (Scope 1)	**458,707**	**758**	**377,625**	**827**
Fuel combustion - Rig fleet	458,707	758	377,265	827
Electricity, heat, steam and cooling purchased for own use (Scope 2)	**4,189**	**7**	**4,203**	**9**
Purchased electricity	4,189	7	4,203	9
Statutory total (Scope 1 and 2) [(4)]	**462,896**	**765**	**381,468**	**837**
Group Metrics:				
Rig fleet horsepower rating (in thousands)	605		456	
Intensity ratio:				
Tonnes of carbon dioxide equivalent per thousand RFHR	765		837	

[(1)] Statutory carbon reporting disclosures required by Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013

[(2)] In some cases we have extrapolated data to calculate total emissions. This has been done by either using available information from part of the reporting period and extending it to cover the whole reporting period or by using available information from substantially all of the operations and extending it to cover those operations for which we had no or incomplete data.

[(3)] Tonnes of carbon dioxide equivalent (tCO2e) is the principle measurement unit for greenhouse gas emissions as it provides a single unit that combines the impact of each of the six regulated greenhouse gases.

[(4)] The sum of Scope 1 and Scope 2 emissions do not total due to rounding.

Disabled employees

We give full and fair consideration to the employment of disabled persons, taking into account the degree of disability, proposed job function and working environment. In the event an employee becomes disabled, we strive to make reasonable accommodations for continuing employment where possible.

Employee consultation

The group places considerable value on the involvement of its employees and keeping its employees informed on matters affecting them as employees and on matters affecting the performance of the group. In that regard, we conduct formal and informal meetings, including an annual employee information meeting; we publish a company magazine for employees on a quarterly basis, and maintain a company-wide intranet as a means of communication with employees.

Going concern basis

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report beginning on page 2 of this report. The directors have considered the use of the going concern basis in the preparation of the financial statements of the company and the group in light of the current market conditions and conclude that the use of the going concern basis is appropriate. In coming to their conclusion, the directors have considered the financial position and cash requirements of the company and the group for the period of 12 months from the date of signing of these financial statements.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Appointment of the auditor

In accordance with Section 489 of the U.K. Companies Act 2006, the company will seek shareholder approval of a resolution to re-appoint Deloitte LLP as U.K. statutory auditor of the company at the general meeting of shareholders to be held on June 30, 2016.

By order of the Board of Directors

/s/ Thomas P. Burke

Thomas P. Burke
Chief Executive Officer and Director

May 11, 2016

ROWAN COMPANIES PLC

GROUP FINANCIAL STATEMENTS

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

U.K. company law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with this accounting framework. Under U.K. company law, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROWAN COMPANIES PLC

We have audited the financial statements of Rowan Companies plc for the year ended 31 December 2015 which comprise the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statement of Profit or Loss and Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Shareholders' Equity, the Consolidated and Parent Company Statements of Cash Flow and the related notes 1 to 28 in respect of the Consolidated financial statements and notes 1 to 15 in respect of the Parent Company financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report (included in the Proxy Statement, which is incorporated by reference into this report) to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

/s/ David Paterson

David Paterson (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
May 11, 2016

ROWAN COMPANIES PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2015
(In thousands)

	Notes	12/31/2015	(Restated - Note 2) 12/31/2014	(Restated - Note 2) 1/1/2014
NON-CURRENT ASSETS				
Property, plant and equipment	5	$ 3,850,961	$ 7,355,661	$ 6,159,623
Deferred tax assets	6	35,652	71,355	10,030
Other assets		20,160	21,199	49,193
		3,906,773	7,448,215	6,218,846
CURRENT ASSETS				
Trade and other receivables	7	408,878	541,711	340,625
Prepaid and other current assets	8	26,528	27,096	43,842
Current tax assets	6	4,463	6,315	6,759
Asset held for sale	9	—	—	23,813
Cash and cash equivalents	10	484,228	339,154	1,092,844
		924,097	914,276	1,507,883
TOTAL ASSETS		$ 4,830,870	$ 8,362,491	$ 7,726,729
CURRENT LIABILITIES				
Trade and other payables	13	$ 258,567	$ 278,254	$ 237,710
Retirement benefit obligations	19	34,211	29,041	52,497
Current tax liabilities	6	86,205	62,469	90,294
Deferred revenues		33,062	36,189	54,515
Liabilities associated with asset held for sale	9	—	—	20,122
		412,045	405,953	455,138
NON-CURRENT LIABILITIES				
Borrowings	11	2,692,419	$ 2,788,482	$ 1,995,069
Retirement benefit obligations	19	244,586	263,352	154,604
Other liabilities	12	41,290	41,769	40,229
Deferred tax liabilities	6	—	—	82,282
		2,978,295	3,093,603	2,272,184
TOTAL LIABILITIES		$ 3,390,340	$ 3,499,556	$ 2,727,322
NET ASSETS		$ 1,440,530	$ 4,862,935	$ 4,999,407
EQUITY	14			
Share capital		$ 15,743	$ 15,604	$ 15,597
Share premium		1,462,780	1,445,290	1,415,887
Retained earnings		316,573	3,645,747	3,732,388
Treasury shares		(12,223)	(7,990)	(5,962)
Accumulated other comprehensive loss		(342,343)	(235,716)	(158,503)
TOTAL EQUITY		$ 1,440,530	$ 4,862,935	$ 4,999,407

The financial statements of Rowan Companies plc (registered number 07805263) were approved on behalf of the Board by the Chairman of the Audit Committee and were authorized for issue on May 11, 2016. They were signed on behalf of the Board by:

/s/ Thomas P. Burke

Thomas P. Burke

Chief Executive Officer and Director

See Notes to Consolidated Financial Statements

ROWAN COMPANIES PLC
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the year ended December 31, 2015
(In thousands)

	Notes	2015	2014 (Restated - Note 2)
Revenues from operations	15	$ 2,137,018	$ 1,824,383
Other operating income	16	7,703	22,653
Direct operating expenses	17	(1,334,267)	(1,312,335)
Asset impairment charges	5	(3,859,079)	(432,221)
General and administrative expenses		(113,526)	(122,984)
OPERATING LOSS		(3,162,151)	(20,504)
Finance income		1,129	1,861
Finance expenses	28	(145,317)	(103,934)
Other gains and losses	11	(1,482)	—
LOSS BEFORE TAXATION		(3,307,821)	(122,577)
(Provision) benefit for income taxes	6	29,159	69,608
NET LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(3,278,662)	(52,969)
Discontinued operations, net of tax	9	—	4,023
NET LOSS		$ (3,278,662)	$ (48,946)
OTHER COMPREHENSIVE INCOME (LOSS):			
Remeasurement of defined benefit obligation that will not be reclassified subsequently to profit or loss		19,720	(118,314)
Income tax related to items that will not be reclassified subsequently to profit or loss		(126,347)	41,305
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		(106,627)	(77,009)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		$ (3,385,289)	$ (125,955)
NET LOSS PER ORDINARY SHARE, BASIC AND DILUTED (in dollars per share)	24	$ (26.33)	$ (0.39)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended December 31, 2015
(In thousands)

	Shares outstanding (number)	Share capital	Share premium	Retained earnings	Treasury shares	Accumulated other comprehensive loss	Total shareholders' equity
Balance - January 1, 2014 (as previously reported)	124,237	$ 15,597	$ 1,407,031	$ 3,619,540	$ (5,962)	$ (142,445)	$ 4,893,761
Adjustments (See Note 2)	—	—	8,856	112,848	—	(16,058)	105,646
BALANCE — January 1, 2014 (as restated)	124,237	15,597	1,415,887	3,732,388	(5,962)	(158,503)	4,999,407
Loss for the year				(48,946)		—	(48,946)
Other comprehensive loss for the year, net of income tax				—		(77,009)	(77,009)
Total comprehensive loss for the year				(48,946)		(77,009)	(125,955)
Net shares issued (acquired) under share-based compensation plans	327	7	1,566	—	(2,028)	—	(455)
Share-based compensation	—	—	26,881	—	—	—	26,881
Excess tax benefit (shortfall) from share-based awards	—	—	956	—	—	—	956
Dividends	—	—	—	(37,695)	—	—	(37,695)
Other	—	—	—	—	—	(204)	(204)
BALANCE — December 31, 2014	124,564	$ 15,604	$ 1,445,290	$ 3,645,747	$ (7,990)	$ (235,716)	$ 4,862,935
Loss for the year				(3,278,662)		—	(3,278,662)
Other comprehensive loss for the year, net of income tax				—		(106,627)	(106,627)
Total comprehensive loss for the year				(3,278,662)		(106,627)	(3,385,289)
Net shares issued (acquired) under share-based compensation plans	254	139	395	—	(4,233)	—	(3,699)
Share-based compensation	—	—	20,944	—	—	—	20,944
Excess tax benefit (shortfall) from share-based awards	—	—	(3,849)	—	—	—	(3,849)
Dividends	—	—	—	(50,512)	—	—	(50,512)
BALANCE — December 31, 2015	124,818	$ 15,743	$ 1,462,780	$ 316,573	$ (12,223)	$ (342,343)	$ 1,440,530

See Notes to Consolidated Financial Statements

ROWAN COMPANIES PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015 and 2014
(In thousands)

	Note	2015	2014 (Restated - Note 2)
CASH PROVIDED BY OPERATIONS:			
Loss from operations		$ (3,278,662)	$ (48,946)
Adjustments for:			
Depreciation and amortization		341,757	314,789
Provision for pension and postretirement benefits		22,133	25,955
Share based compensation expense		30,741	32,983
Other postretirement benefits claimed		(4,408)	(4,125)
Gain on sales of property, plant and equipment		(7,703)	(3,691)
Deferred income taxes		(87,501)	(63,184)
Contributions to pension plans		(11,339)	(54,834)
Asset impairment charges		3,859,079	432,221
Non-cash loss on debt extinguishment		510	—
Changes in current assets and liabilities:			
Receivables - trade and other		134,685	(200,658)
Prepaid expenses and other current assets		568	16,328
Accounts payable and accrued liabilities		5,998	55,545
Current tax liabilities		10,662	4,891
Deferred revenues		(3,127)	(18,326)
Net changes in other noncurrent assets and liabilities		(16,401)	(65,989)
NET CASH PROVIDED BY OPERATIONS		996,992	422,959
CASH USED IN INVESTING ACTIVITIES:			
Capital expenditures		(722,889)	(1,958,227)
Proceeds from disposal of property, plant and equipment		19,373	21,987
NET CASH USED IN INVESTING ACTIVITIES		(703,516)	(1,936,240)
CASH PROVIDED BY FINANCING ACTIVITIES:			
Proceeds from borrowings		220,000	793,380
Dividends paid		(50,512)	(37,695)
Debt issuance costs		—	(687)
Repayment of borrowings		(317,890)	—
Proceeds from exercise of share options		—	4,725
Excess tax benefits from shared based compensation		—	(132)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		(148,402)	759,591
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		145,074	(753,690)
CASH AND CASH EQUIVALENTS — Beginning of year		339,154	1,092,844
CASH AND CASH EQUIVALENTS — End of year		$ 484,228	$ 339,154

Information with regard to interest and income taxes paid is disclosed in note 18 to the financial statements.

See Notes to Consolidated Financial Statements

1. GENERAL INFORMATION

Rowan Companies plc (the "parent") is a public limited company incorporated in the United Kingdom under the Companies Act and listed on the New York Stock Exchange. The address of the registered office is c/o CMS Cameron McKenna, Mitre House, 160 Aldersgate Street, London, United Kingdom, EC1A4DD. As used herein, the terms "we," "us," "our," "group," and, unless the context otherwise requires, "company," are used to refer to Rowan Companies plc and its consolidated subsidiaries.

We are a global provider of offshore contract drilling services to the international oil and gas industry. Our fleet currently consists of 31 mobile offshore drilling units, including 27 self-elevating jack-up drilling units and four ultra-deepwater drillships. We contract our drilling rigs, related equipment and work crews primarily on a day-rate basis in markets throughout the world, currently including the United States Gulf of Mexico (US GOM), United Kingdom (U.K.) and Norwegian sectors of the North Sea, the Middle East and Trinidad.

These financial statements are presented in United States dollars because that is the currency of the primary economic environment in which the company operates.

The company registration number is **07805263**.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Compliance with international financial reporting standards and matters concerning its first-time adoption - These consolidated financial statements as of and for the year ended December 31, 2015, are the first consolidated financial statements of the company prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1").

Accordingly, the company has prepared its consolidated financial statements in compliance with IFRS as of and for the year ended December 31, 2015, together with the comparative data as of and for the year ended December 31, 2014. In preparing these consolidated financial statements, the company's opening consolidated statement of financial position was prepared as of January 1, 2014, the company's date of transition to IFRS. Refer to Note 2.4 for the optional exemptions availed by the company in the preparation of the IFRS financial statements and Note 2.5 for the reconciliation of the company's previous U.S. GAAP financial statements with these IFRS financial statements.

2.2 Basis of measurement - The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and have been prepared on the historical-cost basis with the exception of share-based payments and the use of fair value as deemed cost exemption for certain assets at the date of transition to IFRS (see 2.4 below). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the company presents a consolidated statement of financial position at the beginning of the period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements, which has a material impact on the company.

Subject to certain transition exemptions disclosed in Note 2.4 below, the company has consistently applied the accounting policies used in the preparation of its opening IFRS consolidated statement of financial position as of January 1, 2014, throughout all periods presented, as if these policies had always been in effect.

2.3 Functional currency and presentation currency - Items included in the financial statements in respect of individual subsidiaries are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). Unless otherwise stated, the consolidated financial statements are presented in of U.S. dollars, which is both the functional currency of the company and the presentational currency of the group. Non-U.S. dollar transaction gains and losses are recognized in profit or loss.

The company recognized net currency exchange gains of $3.9 million and $0.05 million in 2015 and 2014, respectively.

2.4 Exemptions applied - IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The company has applied the following exemptions:

Property, Plant and Equipment - Prior to the adoption of IFRS effective January 1, 2014, property and equipment were carried at cost in the consolidated statement of financial position prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The company elected to use the fair value as the deemed-cost exemption at January 1, 2014, with respect to jack-ups and drillships and used these values as the basis for subsequent depreciation and impairment tests.

Share-based Payments - For equity settled share-based payments that were vested before January 1, 2014, or cash settled share based payments that were settled before January 1, 2014, the company has elected the exemption from applying IFRS 2 "Share Based Payment."

Borrowing Costs - Borrowing costs capitalized under U.S. GAAP prior to the date of transition to IFRS, including asset-specific borrowings guaranteed by the U.S. Government, are carried forward without adjustment to the amount previously capitalized on the transition date.

2.5 Going concern

The directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and have concluded that the use of the going concern basis is appropriate. In coming to their conclusion, the directors have considered the financial position and cash requirements of the company for the period of 12 months from the date of signing of the financial statements. Further details are provided in the "going concern basis" section of the directors' report.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis in preparing the annual financial statements.

2.6 Reconciliation to U.S. GAAP - Reconciliations of the consolidated statement of financial position in accordance with U.S. GAAP to IFRS as of December 31, 2014 and January 1, 2014 are as follows (in thousands):

(in thousands)	**U.S. GAAP versus IFRS As of January 1, 2014**			
	U.S. GAAP	**Note**	**Adjustments**	**IFRS**
Assets:				
Total current assets	$ 1,528,878	(1)	$ (20,995)	$ 1,507,883
Total noncurrent assets	6,446,883	(2)	(228,037)	6,218,846
Total assets	$ 7,975,761		$ (249,032)	$ 7,726,729
Liabilities and equity:				
Total current liabilities	$ 354,584	(3)	$ 100,554	$ 455,138
Total noncurrent liabilities	2,727,416	(4)	(455,232)	2,272,184
Total equity	4,893,761	(5)	105,646	4,999,407
Total liabilities and equity	$ 7,975,761		$ (249,032)	$ 7,726,729

(1) Adjustments to current assets are comprised of:	
1.1 Reclassification of debt issue costs to non-current borrowings	$ (1,696)
1.2 Reclassification of current deferred tax asset and non-current deferred tax liability to non-current deferred tax asset	(22,137)
1.3 Reclassification to receivable for other post-employment benefits (Medicare subsidy)	2,838
	$ (20,995)
(2) Adjustments to non-current assets are comprised of:	
2.1 Utilisation of fair value as deemed cost at transition date for certain property and equipment	$ (226,132)
2.2 Reclassification of current deferred tax asset and non-current deferred tax liability to non-current deferred tax asset	11,228
2.3 Reclassification of debt issue costs to non-current borrowings	(11,935)
2.4 Recognize probable deferred tax liability	(1,198)
	$ (228,037)
(3) Adjustments to current liabilities are comprised of:	
3.1 Recognition of accrued payroll taxes on share-based payment	$ 3,488
3.2 Reclassification of liability for uncertain tax positions from non-current to current	86,093
3.3 Reclassification of liability for director RSUs from non-current to current	8,135
3.4 Reclassification to receivable for other post-employment benefits (Medicare subsidy)	2,838
	$ 100,554
(4) Adjustments to non-current liabilities are comprised of:	
4.1 Reverse deferred gain/loss on intercompany rig sales *	$ (328,127)
4.2 Reclassification of liability for uncertain tax positions from non-current to current	(86,093)
4.3 Reclassify opening balance of unamortized debt issue costs from assets to borrowings	(13,631)
4.4 Recognize deferred tax impact of impairment charges to property plant and equipment	(11,971)
4.5 Reclassification of current deferred tax asset and non-current deferred tax liability to non-current deferred tax asset	(10,909)
4.6 Reclassification of liability for director RSUs from non-current to current	(8,135)
4.7 Adjustment of net deferred tax liability to remove share-based payment deferred tax asset with no probable benefit	4,722
4.8 Other	(1,088)
	$ (455,232)

(5) Adjustments to equity are comprised of:

5.1 Reverse deferred gain/loss on intercompany rig sales *	$ 328,127
5.2 Adjustment for utilisation of fair value as deemed cost for certain property and equipment	(226,132)
5.3 Recognize deferred tax impact of impairment charges to property plant and equipment	11,971
5.4 Adjustment of net deferred tax liability to remove deferred tax asset with no probable benefit	(4,722)
5.5 Recognition of accrued payroll taxes on share-based payment	(3,488)
5.6 Recognize probable deferred tax liability	(1,198)
5.7 Other	1,088
	$ 105,646

* Under U.S. GAAP, entities with intercompany profits or losses on assets sold or transferred but remaining within the group are required to defer the recognition of the related tax expense or benefit. The tax impacts of such deferred gains or losses are recognized as they are amortized over the life of the asset or when those assets are sold or disposed of to an unrelated third party. Rowan maintained this deferral within deferred tax liabilities. The adjustments 4.1 and 5.1 to reclassify the remaining balance in the deferred tax liability to retained earnings are a result of implementing IFRS requirements to recognize the tax consequences of the intercompany transactions in the year they occur.

	U.S. GAAP versus IFRS As of December 31, 2014			
	U.S. GAAP	Note	Adjustments	IFRS
Assets:				
Total current assets	$ 941,096	(1)	$ (26,820)	$ 914,276
Total noncurrent assets	7,470,096	(2)	(21,881)	7,448,215
Total assets	$ 8,411,192		$ (48,701)	$ 8,362,491
Liabilities and equity:				
Total current liabilities	$ 333,221	(3)	$ 72,732	$ 405,953
Total noncurrent liabilities	3,386,572	(4)	(292,969)	3,093,603
Total equity	4,691,399	(5)	171,536	4,862,935
Total liabilities and equity	$ 8,411,192		$ (48,701)	$ 8,362,491

(1) Adjustments to current assets are comprised of:

1.1 Reclassification of current deferred tax asset and non-current deferred tax liability to non-current deferred tax asset	$ (27,485)
1.2 Reclassification of debt issue costs to non-current borrowings	(2,157)
1.3 Reclassification to receivable for other post-employment benefits (Medicare subsidy)	2,822
	$ (26,820)

(2) Adjustments to non-current assets are comprised of:

2.1 Opening balance of fair value as deemed cost adjustment as of January 1, 2014	$	(226,132)
2.2 Reduction in 2014 impairment charge compared to US GAAP **		141,729
2.3 Reclassification of current deferred tax asset and non-current deferred tax liability to non-current deferred tax asset		81,716
2.4 Adjustment to share-based payment deferred tax asset to remove improbable benefit and to recognize the deferred tax at intrinsic value		(7,384)
2.5 Recognize probable deferred tax liability		(4,435)
2.6 Reclassification of debt issue costs to non-current borrowings		(16,685)
2.7 Adjustment to depreciation expense		7,852
2.8 Other		1,458
	$	(21,881)

(3) Adjustments to current liabilities are comprised of:

3.1 Reclassification of liability for uncertain tax positions from non-current to current	$	49,204
3.2 Reclassification of income tax penalties and interest to current		8,115
3.3 Reclassification of liability for director RSUs from non-current to current		5,826
3.4 Adjustment to provision for contingency		3,750
3.5 Recognition of accrued payroll taxes on share-based payment		3,015
3.6 Reclassification to receivable for other post-employment benefits (Medicare subsidy)		2,822
	$	72,732

(4) Adjustments to non-current liabilities are comprised of:

4.1 Reverse deferred gain/loss on intercompany rig sales	$	(265,213)
4.2 Reclassification of current deferred tax asset and non-current deferred tax liability to non-current deferred tax asset		54,231
4.3 Reclassification of liability for director RSUs from non-current to current		(5,826)
4.4 Reclassification of liability for uncertain tax positions from non-current to current		(49,204)
4.5 Reclassification of debt issue costs to non-current borrowings		(18,842)
4.6 Reclassification of income tax penalties and interest to current		(8,115)
	$	(292,969)

(5) Adjustments to equity are comprised of:

5.1 Opening balance of fair value as deemed cost adjustment as of January 1, 2014	$	(226,132)
5.2 Reverse deferred gain/loss and amortization on intercompany rig sales		265,213
5.3 Adjustment to share-based payment deferred tax asset to remove improbable benefit and to recognize the deferred tax at intrinsic value		(7,384)
5.4 Recognize probable deferred tax liability		(4,435)
5.5 Reduction in 2014 impairment charge compared to US GAAP		141,729
5.6 Adjustment to depreciation expense		7,852
5.7 Recognition of accrued payroll taxes on share-based payment		(3,015)
5.8 Adjustment to provision for legal claims		(3,750)
5.9 Other		1,458
	$	171,536

** The group recognized an impairment charge in its 2014 U.S. GAAP results of $565.7 million on certain of its jack-up rigs plus $8.3 million on a company plane. The IFRS impairment was $141.8 million lower as a result of the utilisation of the fair value as deemed cost adjustment at 1 January 2014 which reduced the carrying value of these assets at the start of the year, partially offset by additional IFRS charges on one vessel.

A reconciliation of net comprehensive income (loss) under U.S. GAAP and IFRS for the year ended December 31, 2014, is as follows (in thousands):

		December 31, 2014
Net comprehensive income (loss) under U.S. GAAP	$	(192,321)
Reduction in impairment charges		141,729
Reduction of income tax benefit		(81,124)
Reduction in depreciation expense		7,852
Increase in provision for claim		(3,750)
Reduction of share-based compensation expense and related payroll taxes		2,037
Other operating expenses		(838)
Reduction in other comprehensive loss		460
Net comprehensive income (loss) under IFRS	$	(125,955)

The transition from U.S. GAAP to IFRS did not result in any changes to the classification of cash flows and accordingly no reconciliation of the consolidated statements of cash flows has been presented.

Basis of Consolidation - The consolidated financial statements incorporate the financial statements of the company and entities (including structured entities) controlled by the company and its subsidiaries. Control is achieved when the company:

- has power over the investees;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use this power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there may be changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current liability to direct the relevant activities at the time that decisions need to be made, including voting matters at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributable to the owners of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

Property, Plant and Equipment, and Depreciation - Property, plant and equipment is mainly composed of jack-up drilling rigs, drillships, and drill pipe and tubular equipment.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values using the straight-line method over the asset's estimated useful life from the date the asset is placed in service until it is sold or becomes fully depreciated. The cost of an asset is divided into separate components, which are depreciated separately if the useful lives of the individual components differ and if the cost of the component is significant in relation to the total cost of the asset. Residual value is based on the asset's salvage value.

The estimated useful lives and salvage values of the assets are as follows:

	Life (in years)	Salvage Value
Jack-up drilling rigs:		
Hulls	25 to 35	10%
Legs	25 to 30	10%
Quarters	25	10%
Drilling equipment	5 to 25	0% to 10%
Drillships:		
Hull	35	10%
Drilling equipment	5 to 25	0% to 10%
Drill pipe and tubular equipment	4	10%
Other property and equipment	3 to 30	0% to 20%

The estimated useful lives and the salvage values are reviewed on an annual basis, and if necessary, changes in useful lives are accounted for prospectively. The salvage values for jack-up rigs were reduced from 20% to 10% effective December 31, 2014, in connection with the completion of an asset impairment test.

An item of property, plant, and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the period in which the item is derecognized.

The costs related to major inspections and overhauls are recognized as part of the carrying amount of property, plant and equipment if they meet the asset recognition criteria under IAS 16. The major overhaul component will then be depreciated on a straight-line basis over its useful life (i.e., over the period to the next overhaul) and any remaining carrying amount is expensed when the next overhaul is performed. Costs of the on-going (minor) servicing of the asset (i.e., routine maintenance) are expensed as incurred.

Impairment of Property, Plant and Equipment - The carrying values of Property, Plant and Equipment are reviewed for impairment triggers annually, or whenever events or changes in circumstances indicate their carrying amounts may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell ("FVLCTS") and value in use. The FVLCTS of an asset is assessed, where practicable, by external valuers. Value in use is estimated as the present value of the future cash flows that the company expects to derive from the asset. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are largely independent cash in-flows (Cash Generating Units or "CGUs"), being typically an individual jack-up drilling rig or drillship.

An impairment loss identified for a particular CGU is allocated to the assets within that unit on a pro-rata basis, with the consideration that the carrying amounts of individual assets are not reduced below their recoverable amount. Any impairment charge is recognized in the statement of comprehensive income in the year in which it occurs. Where an impairment loss subsequently reverses due to a change in original estimate, the impairment loss is reversed but is restricted to increasing the carrying value of the relevant assets to the carrying value that would have been recognized had the original impairment not occurred.

Assets held for Sale/Discontinued Operations - Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. this condition is regarded as met only when the sale is highly probable and the asset (or disposal group is available for immediate sale in its present condition. (See note 9.)

Cash and Cash Equivalents - For the purposes of presenting these consolidated financial statements, short-term investments, which have a maturity of three months or less at the time of purchase, are considered cash equivalents. Cash whose availability is restricted due to currency conversion issues has been classified as a non-current asset.

Borrowing Costs - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The company capitalized borrowing costs totaling $16.2 million in 2015 and $57.6 million in 2014, and $310.0 million as of January 1, 2014.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Share-based Payments - For share-based awards with graded vesting, we recognize compensation cost on an accelerated basis over the requisite service period of the award. For employees who are retirement-eligible at the grant date or who will become retirement-eligible within six months of the grant date, compensation cost is recognized over a minimum period of six months. Compensation cost for employees who become retirement eligible after six months following the grant date but before the 36-month maximum service period is amortized over the period from the grant date to the date the employee meets the retirement eligibility requirements.

Fair value of restricted shares and restricted share units awarded to employees is based on the market price of the stock on the date of grant. Compensation cost is recognized for awards that are expected to vest and is adjusted in subsequent periods if actual forfeitures differ from estimates.

Restricted share units granted to non-employee directors ("Director RSUs") vest one year following the grant date but may not be settled until the director terminates service from the board. Compensation cost is recognized over the one-year service period. Director RSUs may be settled in cash and/or shares of stock and are accounted for under the liability method of accounting. Fair value is based on the market price of the underlying stock on the grant date, and compensation expense is adjusted for changes in fair value at each report date through the settlement date.

Performance-based awards consist of Performance Units, in which the payment is contingent on the company's total shareholder return relative to an industry peer group. Fair value of Performance Units is determined using a Monte-Carlo simulation model. Performance Units are settled in cash and accounted for under the liability method of accounting. Compensation cost is recognized on a straight-line basis over the service period and is adjusted for changes in fair value at each report date through the vest date.

Financial Instruments - Financial assets and liabilities are recognized in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. The group derecognises financial liabilities when and only when the group's obligations are discharged, cancelled or expire.

Accounts Receivable and Allowance for Doubtful Accounts - Accounts receivable consists of trade and other receivables. The company assesses the collectability of receivables and, if required, records adjustments to an allowance for doubtful accounts, which is recorded as an offset to accounts receivable, to cover the risk of credit losses. The allowance is based on historical and other factors that predict collectability, including write-offs, recoveries and the monitoring of credit quality.

Prepaid Expenses and Other Current Assets - Prepaid and Other Current Asset consists primarily of prepaid insurance and deferred expenses.

Fair Value Measurements - All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

Income Taxes - Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in Other Comprehensive Income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Revenue and Expense Recognition - Our drilling contracts generally provide for payment on a daily rate basis, and revenues are recognized as the work progresses with the passage of time. We occasionally receive lump-sum payments at the outset of a drilling assignment for equipment moves or modifications. Lump-sum fees received for equipment moves (and related costs) and fees received for equipment modifications or upgrades are initially deferred and amortized on a straight-line basis over the primary term of the drilling contract. The costs of contractual equipment modifications or upgrades and the costs of the initial move of newly acquired rigs are capitalized and depreciated in accordance with the company's fixed asset capitalization policy. The costs of moving equipment while not under contract are expensed as incurred. Revenues received but unearned are included in current and non-current liabilities and totaled $50.8 million and $60.2 million at December 31, 2015 and 2014, respectively. Deferred contract costs are included in prepaid expenses and other assets and totaled $4.4 million and $5.4 million at December 31, 2015 and 2014, respectively.

We recognize revenue for certain reimbursable costs. Each reimbursable item and amount is stipulated in the company's contract with the customer, and such items and amounts frequently vary between contracts. We recognize reimbursable costs on the gross basis, as both revenues and expenses, because we are the primary obligor in the arrangement, have discretion in supplier selection, are involved in determining product or service specifications and assume full credit risk related to the reimbursable costs.

Employee Benefits - For defined benefit pension plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income will not be reclassified to profit or loss in a subsequent period; however, such amounts may be transferred within equity. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; or
- Remeasurement

Service cost and net interest are recognized in profit or loss in the line items, operating expenses and general and administrative expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Short Term Benefits - A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount.

Provisions and Contingencies - Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. An outflow is considered probable if there is a greater than 50% chance of it occurring. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax risk-free rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized within interest expense. Provisions are split between amounts expected to be settled within 12 months of the date of the consolidated statement of financial position (current) and amounts expected to be settled later (noncurrent). Contingent liabilities are (i) possible obligations whose existence will only be confirmed by future events not wholly within the control of the company or (ii) present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities that are not recognized in the consolidated financial statements are disclosed, unless the possibility of an outflow of economic resources is considered remote.

Leases - Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The company presently does not have any finance leases either as lessor or lessee.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. ADOPTION OF NEW AND REVISED STANDARDS

New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[1]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[1]
Amendments to IFRS 10 and IAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[1]

[1] Effective for annual period beginning on or after 1 January 2016, with earlier application permitted

[2] Effective for annual period beginning on or after 1 January 2018, with earlier application permitted.

[3] Effective for annual period beginning on or after 1 January 2019, with earlier application permitted.

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets, IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCJ) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or Joss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss;

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

  We are evaluating the standard and have not yet determined our implementation method upon adoption or what impact adoption will have on our financial statements.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Company performs a detailed review.

IFRS 16 *Leases*

In January 2016, IFRS 16 was issued which replaces IAS 17 and establishes a general accounting model for all types of lease agreements in financial statements and requires balance sheet recognition of lease assets and lease liabilities by lessees. The directors of the Company anticipate that the application of IFRS 16 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Company performs a detailed review.

Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding the recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations. The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to IFRS 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 *Disclosure Initiative*

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or
b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of asset between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: ***Applying the Consolidation Exception***

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The directors of the Company do not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

Annual Improvements to IFRSs 2012-2014 Cycle

The *Annual Improvements to IFRSs 2012-2014 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high-quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing IFRS compliant consolidated financial statements, management is required to make estimates and assumptions that will affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Such amounts will, by definition, seldom equal the related actual results, and adjustment will consequently be necessary. Estimates are continually evaluated based on experience, consultation with experts and reasonable expectation of future events. We believe that our most critical accounting policies and management estimates involve carrying values of long-lived assets, pension and other postretirement benefit liabilities and costs (specifically assumptions used in actuarial calculations), and income taxes (particularly our estimated reserves for uncertain tax positions), as changes in such policies and/or estimates would produce significantly different amounts from those reported herein.

Depreciation and impairments of long-lived assets

We depreciate our assets using the straight-line method over their estimated useful service lives after allowing for salvage values. We estimate useful lives and salvage values by applying judgments and assumptions that reflect both historical experience and expectations regarding future operations, utilization and performance. Useful lives may be affected by a variety of factors including technological advances in methods of oil and gas exploration, changes in market or economic conditions, and changes in laws or regulations that affect the drilling industry. Applying different judgments and assumptions in establishing useful lives and salvage values may result in values that differ from recorded amounts.

We assess, at each reporting date, whether there is any indication that an asset may be impaired. If there is an indication that an asset may be impaired, the recoverable amount of the asset (or the cash generating unit (CGU)), which is typically a drilling rig, is determined. The asset or CGU is impaired if its carrying amount exceeds its recoverable amount. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use (VIU).

Potential impairment indicators include rapid declines in commodity prices, stock prices, rig utilization and day rates, among others. The offshore drilling industry has historically been highly cyclical and it is not unusual for rigs to be underutilized or idle for extended periods of time and subsequently resume full or near full utilization when business cycles improve. Similarly, during periods of excess supply, rigs may be contracted at or near cash break-even rates for extended periods. Impairment situations may arise with respect to specific rigs, specific categories or classes of rigs, or rigs in a certain geographic region. Our rigs are mobile and may generally be moved from regions with excess supply, if economically feasible.

Asset impairment evaluations are, by nature, highly subjective. In most instances, they involve expectations of future cash flows to be generated by our drilling rigs and are based on management's judgments and assumptions regarding future industry conditions and operations, as well as management's estimates of future expected utilization, contract rates, expense levels and capital requirements. The estimates, judgments, and assumptions used by management in the application of our asset impairment policies reflect both historical experience and an assessment of current operational, industry, market, economic and political environments. The use of different estimates, judgments, assumptions (including discount rates) and expectations regarding future industry conditions and operations would likely result in materially different asset carrying values and operating results.

Increases (decreases) in the assumptions used in the computation of impairment charges would result in increases (decreases) in the impairment charges as follows:

	2015	2014
	(in thousands)	
100 basis point change in the discount rate	$ 193,900	$ 13,000
5% change in utilization/day rate assumptions	469,700	45,800
10% change in utilization/day rate assumptions	939,300	91,600

Pension and other postretirement benefits

Our pension and other postretirement benefit liabilities and costs are based upon actuarial computations that reflect our assumptions about future events, including long-term asset returns, interest rates, annual compensation increases, mortality rates and other factors which are disclosed in note 19. Key assumptions included weighted average discount rates used to determine pension benefit obligations and net cost, the expected long-term rate of return on pension plan assets and annual rates of health care cost increases. The assumed discount rate is based upon the average yield for Moody's Aa-rated corporate bonds, and the rate of return assumption reflects a probability distribution of expected long-term returns that is weighted based upon plan asset allocations. To develop the expected long-term rate of return on assets assumption, we considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the plans' other asset classes, and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based upon the current asset allocation to develop the expected long-term rate of return on assets assumption for the plan.

Income taxes

In accordance with accounting guidelines for income tax uncertainties, we evaluate each tax position to determine if it is more likely than not that the tax position will be sustained upon examination, based on its merits. A tax position that is more-likely-than-not to become probable is recognized in provision for income taxes for the period and current tax liabilities. Our income tax returns are subject to audit by U.S. federal, state, and foreign tax authorities. Determinations by such taxing authorities that differ materially from our recorded estimates, either favorably or unfavorably, may have a material impact on our results of operations, financial position and cash flows.

As part of the agreement for the sale of the Company's manufacturing division in 2011, Rowan indemnified the buyer against imposition of additional taxes for tax years prior to the sale. We have recognized contingent liabilities of $5 million with respect to this indemnity agreement.

5. PROPERTY, PLANT, AND EQUIPMENT

(in thousands)	2015					
	Jackups	Drillships	Yard drilling equipment	Drill pipe and tubular equipment	Other	Total
Cost at January 1, 2015	$ 7,184,682	$ 2,529,610	$ 119,253	$ 128,379	$ 137,366	$ 10,099,290
Transfers	(122,477)	(17,010)	119,142	20,345	—	—
Additions	118,448	535,227	46,623	2,136	4,054	706,488
Disposals	(187,322)	—	(21,256)	(4,671)	(3,760)	(217,009)
Cost at December 31, 2015	6,993,331	3,047,827	263,762	146,189	137,660	10,588,769
Accumulated depreciation at January 1, 2015	2,518,793	21,814	30,184	94,239	78,599	2,743,629
Transfers	(42,599)	61	42,538	—	—	—
Depreciation for the year	230,378	72,827	10,485	12,280	14,470	340,440
Impairment for the year	2,551,110	1,307,969	—	—	—	3,859,079
Charge for disposals	(180,237)	—	(17,400)	(4,204)	(3,499)	(205,340)
Accumulated depreciation at December 31, 2015	5,077,445	1,402,671	65,807	102,315	89,570	6,737,808
Net book value at December 31, 2015	$ 1,915,886	$ 1,645,156	$ 197,955	$ 43,874	$ 48,090	$ 3,850,961

(in thousands)	2014					
	Jackups	Drillships	Yard drilling equipment	Drill pipe and tubular equipment	Other	Total
Cost at January 1, 2014	$ 6,799,668	$ 986,197	$ 156,490	$ 107,475	$ 147,884	$ 8,197,714
Transfers	60,705	(19,252)	(60,543)	19,090	—	—
Additions	339,937	1,563,839	35,244	4,471	13,765	1,957,256
Disposals	(15,628)	(1,174)	(11,938)	(2,657)	(24,283)	(55,680)
Cost at December 31, 2014	7,184,682	2,529,610	119,253	128,379	137,366	10,099,290
Accumulated depreciation at January 1, 2014	1,835,272	—	41,682	84,672	76,465	2,038,091
Transfers	11,347	—	(11,250)	1,368	(1,465)	—
Depreciation for the year	259,857	21,829	8,889	10,077	14,137	314,789
Impairment for the year	423,921	—	—	—	8,300	432,221
Charge for disposals	(11,604)	(15)	(9,137)	(1,878)	(18,838)	(41,472)
Accumulated depreciation at December 31, 2014	2,518,793	21,814	30,184	94,239	78,599	2,743,629
Net book value at December 31, 2014	$ 4,665,889	$ 2,507,796	$ 89,069	$ 34,140	$ 58,767	$ 7,355,661
Net book value at January 1, 2014	$ 4,964,396	$ 986,197	$ 114,808	$ 22,803	$ 71,419	$ 6,159,623

Interest capitalized in connection with construction projects totaled $16.2 million in 2015, $57.6 million in 2014, and $310.0 million as of January 1, 2014, using a weighted average capitalization rate of 5.7%, 5.7%, and approximately 5.1%, respectively.

Drillship cost as of December 31, 2014, included $1.024 billion (2015: nil) of assets under construction for which no depreciation had yet been recognized. None of the company's assets are pledged as collateral for borrowings.

We assess, at each reporting date, whether there is any indication that an asset may be impaired, using each individual jack up or drillship as a separate cash generating unit. Due to a number of factors including the fall in worldwide oil prices, the decline in the Company's share price, and the expected future delivery of a large number of newbuild jack-up drilling units, among other factors, we conducted an impairment test in 2014 and determined that the carrying values of 13 of our jack-up drilling units were in excess of their recoverable amount which we estimated to be $386.6 million in the aggregate, the latter based on value in use. As a result, we recognized a non-cash impairment charge of $423.9 million on our drilling rig fleet in 2014. Our estimate of value in use required us to use significant unobservable inputs including assumptions related to future demand for drilling services, supply of available rigs and day rates, among others. Our estimate of value in use was based on a discount rate of 15%.

In 2015, we conducted an impairment test of our assets and determined that the carrying values of all twenty-seven of our jack-up drilling rigs and four drillships were in excess of their recoverable amount, which we estimated in the aggregate for the impaired assets, to be $1.916 billion for jack-ups and $1.645 billion for our drillships, based on value in use. As a result, we recognized a non-cash impairment charge of $3.859 billion in 2015. We used a discount rate of 15% for purposes of computing value in use.

6. INCOME TAXES

6.1 Income tax recognized in profit or loss

	December 31,	
	2015	2014
	(in thousands)	
Current tax:		
In respect of current year	$ 62,855	$ (11,162)
In respect of prior years	(4,513)	4,738
	58,342	(6,424)
Deferred tax:		
In respect of current year	(118,143)	(74,663)
In respect of prior years	(4,150)	11,479
Write-down of deferred tax assets	34,792	—
	(87,501)	(63,184)
Total income tax expense (benefit) recognized in the current year	$ (29,159)	$ (69,608)

Rowan plc, the parent company, is domiciled in the U.K. and is subject to the U.K. statutory rate of 24% for the period January 1 through March 31, 2013, 23% for the financial year beginning April 1, 2013; 21% for the financial year beginning April 1, 2014; and 20% for the financial year beginning April 1, 2015. On November 18, 2015, the U.K. enacted tax law to reduce the tax rate to 19% for the financial year beginning April 1, 2017, and 18% for the financial year beginning April 1, 2020. We have computed our statutory tax rate for 2015 using a weighted average U.K. rate of 20.25%.

The income tax benefit for the year can be reconciled to accounting loss as follows:

	December 31, 2015	December 31, 2014
	(in thousands)	
Loss before tax on continuing operations	$ (3,307,821)	$ (122,577)
Income tax calculated at the UK corporation tax rate of 20.25% (2014: 21.50%)	$ (669,834)	$ (26,354)
Capitalized interest transactions	(5,675)	(20,145)
Tax audit settlements	—	10,449
Foreign rate differential	627,134	(42,365)
Adjustment in current year relating to tax of previous periods	(8,663)	16,217
Excess compensation	—	657
Foreign tax credits / deduction	(2,160)	(4,925)
Write-down of deferred tax asset	34,792	(3,570)
Foreign deferred tax release	(6,316)	—
Other	1,563	428
Income tax benefit recognized in profit or loss	$ (29,159)	$ (69,608)

6.2 Income tax recognized directly in equity

	December 31, 2015	December 31, 2014
	(in thousands)	
Deferred tax:		
Excess tax deductions related to share-based payments	$ 3,849	$ (956)
	3,849	(956)
Total income tax expense (benefit) recognized directly in equity	$ 3,849	$ (956)

6.3 Income tax recognized in other comprehensive income

	December 31, 2015	December 31, 2014
	(in thousands)	
Deferred tax:		
Arising on income and expenses recognized in other comprehensive income:		
Remeasurement of defined benefit obligation	$ 6,743	$ (41,305)
Write-down of deferred tax assets	119,604	—
	126,347	(41,305)
Total income tax expense (benefit) recognized in comprehensive income	$ 126,347	$ (41,305)

6.4 Current tax assets and liabilities

	December 31, 2015	December 31, 2014	January 1, 2014
		(in thousands)	
Current tax assets:			
Income tax receivable	$ 4,463	$ 6,315	$ 6,759
	$ 4,463	$ 6,315	$ 6,759
Current tax liabilities:			
Income tax payable	$ 86,205	$ 62,469	$ 90,294
	$ 86,205	$ 62,469	$ 90,294

6.5 Deferred Tax Balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	December 31, 2015	December 31, 2014	January 1, 2014
		(in thousands)	
Deferred tax assets	$ 150,887	$ 274,738	$ 191,560
Deferred tax liabilities	(115,235)	(203,383)	(263,812)
	$ 35,652	$ 71,355	$ (72,252)

Deferred tax assets/liabilities in relation to:

2015

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Reclassifi-cations	Closing Balance
	(in thousands)					
Deferred tax assets:						
Accrued employee benefit plan cost	$ 156,878	$ 375	$ (126,347)	$ —	$ —	$ 30,906
Net operating losses	94,161	(47,276)	—	—	8,305	55,190
Share-based compensation	12,670	2,332	—	(3,849)	—	11,153
Interest expense limitation carryforward	—	42,129	—	—	—	42,129
Other	11,029	1,867	—	—	(1,387)	11,509
	274,738	(573)	(126,347)	(3,849)	6,918	150,887
Deferred tax liabilities:						
Property, plant and equipment	(137,955)	89,667	—	—	74	(48,214)
Pension/other employee benefits	(60,314)	(1,545)	—	—	—	(61,859)
Other	(5,114)	(48)	—	—	—	(5,162)
	(203,383)	88,074	—	—	74	(115,235)
	$ 71,355	$ 87,501	$ (126,347)	$ (3,849)	$ 6,992	$ 35,652

2014

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Reclassifi-cations	Closing Balance
	(in thousands)					
Deferred tax assets:						
Accrued employee benefit plan cost	$ 113,531	$ 2,042	$ 41,305	$ —	$ —	$ 156,878
Net operating losses	53,306	15,303	—	—	25,552	94,161
Share-based compensation	15,450	(3,736)	—	956	—	12,670
Other	9,273	521	—	—	1,235	11,029
	191,560	14,130	41,305	956	26,787	274,738
Deferred tax liabilities:						
Property, plant, and equipment	(204,213)	54,883	—	—	11,375	(137,955)
Pension/other employee benefits	(53,654)	(6,660)	—	—	—	(60,314)
Other	(5,945)	831	—	—	—	(5,114)
	(263,812)	49,054	—	—	11,375	(203,383)
	$ (72,252)	$ 63,184	$ 41,305	$ 956	$ 38,162	$ 71,355

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

The Company has not provided deferred income taxes on undistributed earnings of the Company's non-U.K. subsidiaries, including RCI's non-U.S. subsidiaries. It is the Company's policy and intention to permanently reinvest earnings of non-U.S. subsidiaries of RCI outside the U.S. The earnings of non-U.K. subsidiaries that are not subsidiaries of RCI can be distributed to Rowan plc without the imposition of either U.K. or local country tax.

6.6 Unrecognized deductible temporary differences, unused tax losses and unused tax credits

	December 31, 2015	December 31, 2014	January 1, 2014
	(in thousands)		
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:			
Tax losses (revenue in nature)	$ 43,307	$ 22,267	$ 25,909
Unused tax credits (expiring in 2024 and 2023, respectively)	2,921	72	—
Accrued employee benefit plan cost	119,574	—	—
Property, plant and equipment	10,938	—	—
Other	(5)	—	—
	$ 176,735	$ 22,339	$ 25,909

At December 31, 2015, the Company had approximately $38 million of net operating loss carryforwards (NOLs) in the U.S., which expire at various times between 2034 and 2041, $18 million of which we have not recognized a deferred tax asset; $49 million of NOLs in the U.S. attributable to the Company's non-U.S. subsidiaries expiring in 2032, $36 million of which we have not recognized a deferred tax asset; $16 million of non-expiring NOLs in the U.K., for which we have not recognized a deferred tax asset; and $135 million of non-expiring NOLs in Trinidad, $126 million of which we have not recognized a deferred tax asset. In addition, at December 31, 2015, the Company had $6 million of non-expiring NOLs in other foreign jurisdictions for which we have not recognized a deferred tax asset. The U.S. foreign tax credit of $29 million, for which we have recognized as a deferred tax asset, is intended to be carried back.

7. TRADE AND OTHER RECEIVABLES

	December 31, 2015	December 31, 2014	January 1, 2014
Trade receivable	$ 395,694	$ 524,712	$ 323,679
Other	13,184	16,999	16,946
	$ 408,878	$ 541,711	$ 340,625

At December 31, 2015 and 2014, and at January 1, 2014, all trade and other receivables were considered current and collectible within 30 days. All of these balances relate to customers for whom there is no recent history of default. For the years ended December 31, 2015 and 2014, and as at January 1, 2014, there were no trade and other receivables overdue or impaired.

Due to the nature of the company's business, trade and other receivables are concentrated in customers operating in the oil and gas exploration and production industry.

8. PREPAID AND OTHER CURRENT ASSETS

(in thousands)	December 31, 2015	December 31, 2014	January 1, 2014
Prepaid expenses	$ 21,879	$ 20,691	$ 21,601
Deferred contract costs	4,649	6,405	22,241
Total	$ 26,528	$ 27,096	$ 43,842

9. ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

In 2011, the Company completed the sale of its land drilling businesses and retained a land rig that was classified as asset available for sale as of January 1, 2014. In 2014 we sold the rig, which had a net carrying value at the time of sale of $4.1 million, consisting of a $24.2 million asset and a $20.1 million liability. The Company received $6.0 million in cash resulting in a $4.0 million gain, net of tax effects, which was classified as discontinued operations.

10. CASH AND CASH EQUIVALENTS

(in thousands)	December 31, 2015	December 31, 2014	January 1, 2014
Cash	$ 18,840	$ 24,584	$ 29,344
Cash equivalents	465,388	314,570	1,063,500
Total	$ 484,228	$ 339,154	$ 1,092,844

Cash at banks earns interest at floating rates based on daily bank deposit rates. Cash equivalents include highly liquid cash investments with maturities no greater than three months.

11. BORROWINGS

Long-term debt at December 31 consisted of the following (in thousands):

Unsecured	December 31, 2015	December 31, 2014	January 1, 2014
5% Senior Notes, due September 2017 ($366.6 million principal)	$ 365,494	$ 398,009	$ 397,261
7.875% Senior Notes, due August 2019 ($435.5 million principal)	432,870	496,150	495,303
4.875% Senior Notes, due June 2022 ($700 million principal)	706,236	707,206	708,177
4.75% Senior Notes, due January 2024 ($400 million principal)	397,069	396,704	—
5.4% Senior Notes, due December 2042 ($400 million principal)	394,720	394,524	394,328
5.85% Senior Notes, due January 2044 ($400 million principal)	396,030	395,889	—
Total	$ 2,692,419	$ 2,788,482	$ 1,995,069

As of December 31, 2015, no principal payments are required with respect to our outstanding debt through 2016; $366.6 million becomes due in September 2017 and $435.5 million becomes due in August 2019.

In January 2014, Rowan plc, as guarantor, and its 100% owned subsidiary, RCI, as issuer, completed the issuance and sale in a public offering of $400 million aggregate principal amount of its 4.75% Senior Notes due 2024 at a price to the public of 99.898% of the principal amount and $400 million aggregate principal amount of its 5.85% Senior Notes due 2044 at a price to the public of 99.972% of the principal amount. Net proceeds of the offering were approximately $792 million, which the Company used in its rig construction program and for general corporate purposes.

In May 2015, the Company amended and restated its revolving credit agreement to increase the borrowing capacity under the facility from $1 billion to $1.5 billion and to extend the maturity date by one year to January 2020. There were no amounts drawn under the revolving credit facility at December 31, 2015. In January 2016, the Company further amended the revolving credit agreement to extend the maturity date by one year to January 2021. Availability under the facility is $1.5 billion through January 23, 2019, declining to $1.44 billion through January 23, 2020, and to approximately $1.29 billion through the maturity in 2021.

During 2015, we paid $101.1 million in cash to retire $97.9 million aggregate principal amount 5% Notes due 2017 and 7.875% Notes due 2019, plus accrued interest, and recognized a $1.5 million loss on early extinguishment of debt. This amount comprises the "other gains and losses" on the consolidated statement of profit or loss.

The 5% Senior Notes due 2017, 7.875% Senior Notes due 2019, 4.875% Senior Notes due 2022, 4.75% Senior Notes due 2024, 5.4% Senior Notes due 2042, and 5.85% Senior Notes due 2044 (together, the "Senior Notes") are RCI's senior unsecured obligations and rank senior in right of payment to all of its subordinated indebtedness and pari passu in right of payment with any of RCI's future senior indebtedness, including any indebtedness under RCI's senior revolving credit facility. The Senior Notes rank effectively junior to RCI's future secured indebtedness, if any, to the extent of the value of its assets constituting collateral securing that indebtedness and to all existing and future indebtedness of its subsidiaries (other than indebtedness and liabilities owed to RCI).

All or part of the Senior Notes may be redeemed at any time for an amount equal to 100% of the principal amount plus accrued and unpaid interest to the redemption date plus the applicable make-whole premium, if any.

The Senior Notes are fully and unconditionally guaranteed on a senior and unsecured basis by Rowan plc.

Restrictive provisions in the Company's bank credit facility agreement limit consolidated debt to 60% of book capitalization. Our consolidated debt to total capitalization ratio was 36% and 37% at December 31, 2015 and 2014, respectively.

Other provisions of our debt agreements limit the ability of the Company to create liens that secure debt, engage in sale and leaseback transactions, merge or consolidate with another company and, in the event of noncompliance, restrict investment activities and asset purchases and sales, among other things. The Company was in compliance with its debt covenants at December 31, 2015 and 2014.

12. OTHER LIABILITIES

(in thousands)	December 31, 2015	December 31, 2014	January 1, 2014
Deferred revenues	$ 17,701	$ 24,019	$ 29,633
Estimated claims liabilities	11,200	6,078	6,078
Other	12,389	11,672	4,518
Total	$ 41,290	$ 41,769	$ 40,229

13. TRADE AND OTHER PAYABLES

(in thousands)	December 31, 2015	December 31, 2014	January 1, 2014
Trade and other payables	$ 109,574	$ 102,773	$ 123,976
Employee compensation and other costs	76,284	91,201	62,584
Interest payable	52,289	52,905	30,241
Other	20,420	31,375	20,909
Total	$ 258,567	$ 278,254	$ 237,710

14. SHAREHOLDERS' EQUITY

Retained Earnings

(in thousands)	December 31, 2015	December 31, 2014	January 1, 2014
Balance at the beginning of the year	$ 3,645,747	$ 3,732,388	$ 3,619,540
Adjustments			112,848
			3,732,388
Loss for the year	(3,278,662)	(48,946)	—
Payment of dividends	(50,512)	(37,695)	—
Total	$ 316,573	$ 3,645,747	$ 3,732,388

Dividends

In 2015, dividends aggregating $0.40 per share (total dividend of $50.5 million) were paid to the holders of ordinary shares. In 2014, dividends aggregating $0.30 per share were paid on ordinary shares (total dividend of $37.7 million). The company discontinued paying quarterly dividends following the last dividend paid in 2015.

15. OPERATING SEGMENTS

We operate in two principal operating segments – deepwater, which consists of our drillship operations, and jack-ups. Both segments provide one service – contract drilling. The company's chief operating decision maker evaluates performance primarily based on income from operations. The accounting policies used in deriving the segment information shown below are the same as those disclosed in note 2.

Depreciation and amortization and selling, general and administrative expenses related to our corporate and other administrative offices in the table below have not been allocated to our operating segments for purposes of measuring segment operating income and are included in the column "Unallocated costs and other." "Other operating gains (losses)" includes gains and losses on equipment sales and other. Items below income (loss) from operations are not allocated between segments and are therefore not included in the analysis below (in thousands):

	Deepwater	Jack-ups	Unallocated costs and other	Consolidated
2015:				
Revenues from external customers	$ 747,792	$ 1,389,226	$ —	$ 2,137,018
Operating expenses:				
Drilling operating expenses	(276,542)	(709,759)	—	(986,301)
Depreciation	(94,613)	(232,927)	(12,900)	(340,440)
Asset impairments	(1,307,969)	(2,551,110)	—	(3,859,079)
Adjustment to a provision for a legal claim	—	(3,816)	—	(3,816)
General and administrative	—	—	(113,526)	(113,526)
Other operating gains (losses)	—	8,529	(4,536)	3,993
Income (loss) from operations	$ (931,332)	$ (2,099,857)	$ (130,962)	$ (3,162,151)
Capital expenditures	$ 535,227	$ 118,448	$ 52,813	$ 706,488
Total assets (at end of year)	$ 1,773,384	$ 2,209,711	$ 847,775	$ 4,830,870
2014:				
Revenues from external customers	$ 179,834	$ 1,644,549	$ —	$ 1,824,383
Operating expenses:				
Drilling operating expenses	(87,778)	(905,213)	—	(992,991)
Depreciation	(24,410)	(275,690)	(14,689)	(314,789)
Asset impairments	—	(423,921)	(8,300)	(432,221)
Litigation settlement	—	20,875	—	20,875
General and administrative	—	—	(122,984)	(122,984)
Other operating gains (losses)	—	(3,750)	973	(2,777)
Income (loss) from operations	$ 67,646	$ 56,850	$ (145,000)	$ (20,504)
Capital expenditures	$ 1,563,839	$ 339,937	$ 53,480	$ 1,957,256
Total assets (at end of year)	$ 2,665,089	$ 5,086,426	$ 610,976	$ 8,362,491

The classifications of revenues and assets among geographic areas in the tables which follow were determined based on the physical location of assets. Because the Company’s offshore drilling rigs are mobile, classifications by area are dependent on the rigs’ location at the time revenues are earned, and may vary from one period to the next.

Revenues by geographic area are set forth below (in thousands):

	2015	2014
United States	$ 704,638	$ 283,835
Saudi Arabia	408,655	443,873
Norway	403,636	213,393
United Kingdom	163,037	288,248
Trinidad	141,749	94,722
Angola	96,429	80,499
Malaysia	73,733	93,962
Qatar	54,029	53,522
Tunisia	36,642	18,590
Spain (Canary Islands)	27,458	36,956
Indonesia	27,012	125,851
Morocco	—	33,027
Egypt	—	32,426
Namibia	—	25,479
Consolidated revenues	$ 2,137,018	$ 1,824,383

The Company's customers largely consist of major international oil companies, national oil companies and large investment-grade exploration and production companies. We routinely evaluate the credit quality of potential customers. Three customers, Saudi Aramco, ConocoPhillips, and Anadarko accounted for 19%, 13% and 10%, respectively, of consolidated revenues in 2015. In 2014, one customer accounted for 24% of consolidated revenues.

Non-current assets (excluding deferred tax assets and, primarily, deferred mobilization costs) by geographic area at December 31 are set forth below (in thousands):

	2015	2014	2013
United States	$ 1,950,870	$ 1,368,219	$ 766,712
Norway	558,862	1,394,039	503,308
Saudi Arabia	599,480	931,353	1,122,941
United Kingdom	382,689	841,809	1,336,400
Rigs under construction	—	1,023,647	1,009,382
Spain (Canary Islands)	—	750,996	—
Other	359,060	1,045,598	1,420,880
Consolidated non-current assets	$ 3,850,961	$ 7,355,661	$ 6,159,623

16. OTHER OPERATING INCOME

(in thousands)	**2015**	**2014**
Gain on disposals of property and equipment	$ 7,703	$ 1,778
Gain on settlement of legal dispute	—	20,875
Total	$ 7,703	$ 22,653

In 2014, the Company settled its litigation with the owners and operators of a tanker that collided with the *Rowan EXL I* in 2012 and received $20.9 million in cash as compensation for damages incurred in 2012 for repair costs to and loss of use of the rig. Such amount was recognized in operating income in 2014.

17. OPERATING EXPENSES

(in thousands)	2015	2014
Drilling operating expenses	$ 986,301	$ 992,991
Depreciation and amortization	340,440	314,789
Other	7,526	4,555
Total	$ 1,334,267	$ 1,312,335

18. SUPPLEMENTAL CASH FLOW INFORMATION

Cash flows from operating activities includes the following amounts of interest and income taxes paid:

(in thousands)	2015	2014
Interest paid	$ 143,829	$ 78,744
Income taxes paid	37,455	8,549

19. PENSION AND OTHER POSTRETIREMENT BENEFITS

The company provides defined-benefit pension, health care and life insurance benefits upon retirement for certain full time employees. Pension benefits are provided under the Rowan Pension Plan and the Restoration Plan of RCI, and health care and life insurance benefits are provided under the Retiree Life & Medical Supplemental Plan of RCI.

The most recent actuarial valuation of the plan assets and the defined benefit obligations was carried out as at December 31, 2015, by Mercer. The present value of the defined benefit obligation and the related current service cost and past service cost was measured using the projected unit credit method.

The principal assumptions used for the purpose of the actuarial valuations were as follows.

	2015	2014
Weighted average discount rate - pension benefit obligations	4.54%	4.12%
Expected rate of salary increase	4.15%	4.15%
Ultimate health care cost trend rate	4.50%	4.50%

For 2015, the annual health care cost trend rate ranged from 6.7% in 2016 to 4.5% in 2026 and beyond. For 2014, the annual health care cost trend rate ranged from 7.0% in 2015 to 4.5% in 2026 and beyond.

Mortality rates for the Rowan Pension Plan for 2015 were based on Mercer-developed MRP-2007 mortality tables for employees and retirees with a blue collar adjustment, projected generationally with MSS-2007.

Mortality rates for the Rowan Pension Plan for 2014 were based on the RP-2000 Combined Healthy Mortality Table for males and females with a blue collar adjustment projected to 2020 with Scale AA.

Amounts recognized in comprehensive income in respect of the defined benefit pension plan are as follows (in thousands):

	December 31	
	2015	2014
Defined benefit cost recognized in profit and loss:		
Current service cost	$ 18,303	$ 14,573
Past service cost	(4,900)	259
Net interest	8,924	5,539
Administrative expenses	2,998	2,043
Components of defined benefit costs recognized in profit or loss	25,325	22,414
Remeasurement of the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	20,063	(2,498)
Actuarial gains and losses arising from changes in financial assumptions	(45,130)	82,588
Actuarial gains and losses arising from changes in demographic assumptions	—	26,382
Actuarial gains and losses arising from experience adjustments	4,866	5,061
Components of defined benefit costs recognized in other comprehensive income	(20,201)	111,533
Total	$ 5,124	$ 133,947

Amounts recognized in comprehensive income in respect of other postretirement benefits are as follows (in thousands):

	December 31	
	2015	2014
Defined benefit cost recognized in profit and loss:		
Current service cost	$ 1,335	$ 1,067
Past service cost	(7,188)	—
Net interest	2,870	3,025
Components of defined benefit costs recognized in profit or loss	(2,983)	4,092
Remeasurement of the net defined benefit liability:		
Actuarial gains and losses arising from changes in financial assumptions	(374)	6,135
Actuarial gains and losses arising from changes in demographic assumptions	—	2,093
Actuarial gains and losses arising from experience adjustments	1,186	(1,296)
Return on reimbursement rights (excluding interest income)	(332)	(153)
Components of defined benefit costs recognized in other comprehensive income	480	6,779
Total	$ (2,503)	$ 10,871

Movements in the present value of defined benefit obligations and the fair value of plan assets for the years ended December 31 were as follows (in thousands):

	2015			2014		
	Pension Benefits	Other Benefits	Total	Pension Benefits	Other Benefits	Total
Projected benefit obligations:						
Opening defined benefit obligation	$ 807,953	$ 76,400	$ 884,353	$ 679,880	$ 69,670	$ 749,550
Current service cost	18,303	1,335	19,638	14,573	1,067	15,640
Interest cost	31,911	2,975	34,886	32,680	3,152	35,832
Remeasurement (gains)/losses:						
Actuarial gains and losses arising from changes in demographic assumptions	—	—	—	26,382	2,093	28,475
Actuarial gains and losses arising from changes in financial assumptions	(45,130)	(374)	(45,504)	82,587	6,135	88,722
Actuarial gains and losses arising from experience adjustments	4,866	1,186	6,052	5,061	(1,296)	3,765
Past service costs	(4,900)	(7,188)	(12,088)	259	—	259
Exchange rate changes	(1,027)	—	(1,027)	(1,216)	—	(1,216)
Benefits paid	(51,923)	(4,732)	(56,655)	(32,253)	(4,421)	(36,674)
Closing defined benefit obligation	$ 760,053	$ 69,602	$ 829,655	$ 807,953	$ 76,400	$ 884,353
Plan assets:						
Opening fair value of plan assets	$ 591,960	$ —	$ 591,960	$ 542,449	$ —	$ 542,449
Interest income	22,987	—	22,987	27,141	—	27,141
Remeasurement (gains)/losses:						
Return on plan assets (excluding amounts included in net interest expense)	(20,046)	—	(20,046)	2,391	—	2,391
Others	(3,015)	—	(3,015)	(1,936)	—	(1,936)
Contributions from employer	11,339	4,732	16,071	54,834	4,421	59,255
Contributions from plan participants	—	462	462	—	378	378
Exchange rate changes	(558)	—	(558)	(665)	—	(665)
Benefits paid	(51,923)	(5,194)	(57,117)	(32,254)	(4,799)	(37,053)
Closing fair value of plan assets	$ 550,744	$ —	$ 550,744	$ 591,960	$ —	$ 591,960
Net benefit liabilities	$ 209,309	$ 69,602	$ 278,911	$ 215,993	$ 76,400	$ 292,393

The amount included in the consolidated statement of financial position arising from the group's obligation in respect of defined benefit plans is as follows (in thousands):

	2015			2014		
	Pension Benefits	Other Benefits	Total	Pension Benefits	Other Benefits	Total
Present value of defined benefit obligation	$ 760,053	$ 69,602	$ 829,655	$ 807,953	$ 76,400	$ 884,353
Fair value of plan assets	550,744	—	550,744	591,960	—	591,960
Net liability arising from defined benefit obligation	$ 209,309	$ 69,602	$ 278,911	$ 215,993	$ 76,400	$ 292,393

The fair value of plan assets at the end of the reporting period for each category, are as follows (in thousands):

	December 31		January 1
	2015	2014	2014
Cash and cash equivalents	$ 11,863	$ 8,416	$ 59,301
Equities:			
U.S. large cap	135,711	159,541	125,061
U.S. small cap	36,409	38,106	36,330
International all cap	128,427	135,947	118,530
International small cap	33,066	29,736	31,270
Real estate	49,899	45,758	40,055
	383,512	409,088	351,246
Fixed income:			
AAA	87,646	108,676	80,159
AA	6,690	7,803	7,187
A	21,789	26,015	19,249
BBB and lower	35,921	29,243	25,307
	152,046	171,737	131,902
Others (group annuity contracts)	3,323	2,719	—
Total	$ 550,744	$ 591,960	$ 542,449

The fair values of equities and fixed income securities that underlie the investments in separate accounts, commingled funds and institutional mutual funds are determined based on quoted market prices in active markets. The fair value of the group annuity contract is not based on quoted market prices in active markets but is valued using inputs that are observable in the market.

The actual return on plan assets in 2015 was a gain of $2.9 million (2014: $29.5 million gain).

The plan assets include ordinary and preferred shares and international equity securities held through separate accounts, commingled funds or institutional mutual fund, equity investments in income producing properties, government, corporate, mortgage-and-asset-backed securities and Yankee bonds with average credit rating of A and above. Group annuity contracts are invested in a combination of equity, real estate, bond and other investments in connection with a pension plan in Norway.

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase, health care cost trend and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding other assumptions constant (in thousands):

- If the discount rate is 25 basis points higher (lower), the defined benefit obligation would decrease by $19,776 (increase by $20,788) (2014: decrease by $24,556 (increase by $25,960))

- If the salary scale increases (decreases) by 100 basis points, the defined benefit obligation would increase by $1,527 (decrease by $1,064) (2014: increase by $1,638 (decrease by $1,220)

- If the mortality rates are adjusted to make the participants 1 year younger (1 year older), the defined benefit obligation would increase by $15,968 (decrease by $16,095) (2014: increase by $17,813 (decrease by $17,902 thousand))

- If the health care cost trend increases (decreases) by 100 basis points, the defined benefit obligation would increase by $1,695 thousand (decrease by $1,597 thousand) (2014: increase by $3,570 thousand (decrease by $3,097))

The sensitivity analysis presented above may not be a representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position.

20. SHARE-BASED PAYMENTS

Under the 2013 Rowan Companies plc Incentive Plan (the Plan), the Compensation Committee of the company's Board of Directors is authorized to grant employees and nonemployee directors incentive awards covering up to 7,500,000 of our ordinary shares. The awards may be in the form of restricted share awards, restricted share units, options and share appreciation rights. In addition, the Compensation Committee may grant performance-based awards under the Plan, in which the amount earned is dependent on the achievement of certain long-term market or performance conditions over a specified period. As of December 31, 2015, there were 3,593,768 shares available for future grant under the Plan.

Compensation cost charged to expense under all share-based incentive awards is presented below (in thousands):

	2015	2014
Restricted shares and restricted share units	$ 20,283	$ 23,122
Share appreciation rights	440	2,615
Performance based awards	10,018	7,246
Total	$ 30,741	$ 32,983

Employee Restricted Share Units - Restricted share units (RSUs) are rights to receive a specified number of ordinary shares upon vesting. RSUs granted to employees typically vest in one-third increments over a three-year service period or in some cases cliff vest at the end of three years. Employee RSU activity for the year ended December 31, 2015, and December 31, 2014, follows:

	December 31,			
	2015		2014	
	Number of shares	Weighted average grant-date fair value per share	Number of shares	Weighted average grant-date fair value per share
Outstanding as of January 1	1,132,153	$ 33.05	603,665	$ 34.44
Granted	1,222,777	21.11	842,836	32.45
Vested	(440,083)	33.06	(279,191)	34.17
Forfeited	(171,121)	25.42	(35,157)	33.65
Outstanding as of December 31	1,743,726	$ 25.42	1,132,153	$ 33.05

The aggregate fair value of employee RSUs that vested in 2015 and 2014 was $8.9 million and $8.5 million, respectively, based on share prices on the vesting dates.

Restricted Shares - A restricted share represents an ordinary share subject to a vesting period that restricts its sale or transfer until the vesting period ends. In general, the restricted shares vest and the restrictions lapse in one-third increments each year over a three-year service period, or in some cases, cliff vest at the end of a three-year service period. The company discontinued granting restricted shares in 2013. Restricted share activity for the year ended December 31, 2015, and December 31, 2014, is summarized below:

	December 31,			
	2015		2014	
	Number of shares	Weighted average grant-date fair value per share	Number of shares	Weighted average grant-date fair value per share
Outstanding as of January 1	210,554	$ 35.13	553,441	$ 36.50
Vested during the year	(206,180)	35.14	(340,633)	37.35
Forfeited during the year	(1,874)	35.47	(2,254)	36.10
Outstanding as of December 31	2,500	$ 33.88	210,554	$ 35.13

The aggregate fair value of restricted shares that vested in 2015 and 2014 was $4.1 million and $10.9 million, respectively, based on share prices on the vesting dates.

Non-employee Director Restricted Share Units - RSUs granted to nonemployee directors generally cliff vest at the earlier of the first anniversary of the grant date or the next annual meeting of shareholders following the grant date and are settled in either cash or shares or a combination thereof at the discretion of the Compensation Committee determined at the time the director terminates service to the Board. Non-employee director RSU activity for the year ended December 31, 2015, and December 31, 2014, follows:

	December 31,					
	2015			2014		
	Number of shares		Weighted average grant-date fair value per share	Number of Shares		Weighted average grant-date fair value per share
Outstanding as of January 1	267,438	$	32.04	250,648	$	32.42
Granted during the year	77,040		20.96	54,041		31.10
Settled during the year	(44,336)		32.85	(37,251)		33.25
Outstanding as of December 31	300,142	$	29.51	267,438	$	32.04
Vested at December 31	229,101	$	32.11	216,254	$	32.22

The number and aggregate settlement-date fair value of non-employee director RSUs settled during the year were as follows: 2015 - 44,336 RSUs at $0.9 million; 2014 - 37,251 RSUs at $1.2 million.

Performance-based Awards - The Committee may grant awards in which payment is contingent upon the achievement of certain market or performance based conditions over a period specified by the Committee. Payment of such awards may be in ordinary shares or in cash as determined by the Committee.

In February 2015, the Company granted to certain members of management performance units (P-Units) that have a target value of $100 per unit. The amount ultimately earned with respect to the P-Units will depend on the Company's total shareholder return (TSR) ranking compared to a group of peer companies over a three-year period ending December 31, 2017, and could range from zero to $200 per unit depending on performance. Twenty-five percent of the P-Units' value is determined by the Company's relative TSR ranking for each one-year period ended December 31, 2015, 2016, and 2017, respectively, and 25% of the P-Units' value is determined by the relative TSR ranking for the three-year period ended December 31, 2017. Vesting of awards and any payment with respect to the P-Units would not occur until the third anniversary following the grant date. Any employee who terminates employment with the Company prior to the third anniversary for any reason other than retirement will not receive any payment with respect to P-Units unless approved by the Compensation Committee.

In March 2014, the company granted to certain members of management performance units (P-Units) that have a target value of $100 per unit. The amount ultimately earned with respect to the P-Units will depend on the company's total shareholder return (TSR) ranking compared to a group of peer companies over a three-year period ending December 31, 2015, and could range from zero to $200 per unit depending on performance. Twenty-five percent of the P-Units' value is determined by the company's relative TSR ranking for each one-year period ended December 31, 2014, 2014, and 2015, respectively, and 25% of the P-Units' value is determined by the relative TSR ranking for the three-year period ended December 31, 2015. Vesting of awards and any payment with respect to the P-Units would not occur until the third anniversary following the grant date. Any employee who terminates employment with the company prior to the third anniversary for any reason other than retirement will not receive any payment with respect to P-Units unless approved by the Compensation Committee. The Compensation Committee has determined that any amount earned with respect to P-Units granted in 2014 and 2015 will be settled in cash.

The grant-date fair value of P-Units granted in 2015 was estimated to be $9.0 million (2014: $9.1 million). Fair value was estimated using the Monte Carlo simulation model, which considers the probabilities of the Company's TSR ranking at the end of each performance period, and the amount of the payout at each rank to determine the probability-weighted expected payout. The Company uses liability accounting to account for the P-Units. Compensation is recognized on a straight-line basis over a maximum period of three years from the grant date and is adjusted for changes in fair value through the vesting date.

Liabilities for estimated P-Unit obligations at December 31, 2015, included $7.6 million and $11.4 million classified as current- and non-current, respectively. Liabilities for estimated P-Unit obligations at December 31, 2014, totaled $11.6 million, which was classified as non-current.

In 2015, we paid $2.7 million in cash to settle P-Units that vested during the year. No performance-based awards vested or settled in 2014.

Share Appreciation Rights - Share appreciation rights (SARs) give the holder the right to receive ordinary shares at no cost to the employee, or cash at the discretion of the Committee, equal in value to the excess of the market price of a share on the date of exercise over the exercise price. All SARs granted have exercise prices equal to the market price of the underlying shares on the date of grant. SARs become exercisable in one-third annual increments over a three-year service period and expire ten years following the grant date. The company intends to share-settle any exercises of SARs and has therefore accounted for SARs as equity awards.

There were no SARs granted in either 2015 or 2014.

SARs activity for the year ended December 31, 2015 and 2014, is summarized below:

	Number of shares under SARs	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding as of January 1, 2015	1,761,270	$ 30.94	5.0	
Exercised during the year	—	—		
Forfeited or expired during the year	(145,968)	34.10		
Outstanding as of December 31, 2015	1,615,302	$ 30.66	4.3	$ —
Exercisable at December 31, 2015	1,497,425	$ 30.37	4.1	$ —

	Number of shares under SARs	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding as of January 1, 2014	1,831,695	$ 30.45	6.3	
Exercised during the year	(67,707)	17.39		
Forfeited or expired during the year	(2,718)	35.47		
Outstanding as of December 31, 2014	1,761,270	$ 30.94	5.0	$ 2,451
Exercisable at December 31, 2014	1,444,099	$ 30.15	4.3	$ 2,451

No SARs were exercised in 2015. The aggregate intrinsic value of SARs exercised in 2014 was $0.9 million.

Share Options - Share options granted to employees generally became exercisable in one-third or one-quarter annual increments over a three or four-year service period at a price generally equal to the market price of the company's common shares on the date of grant. The company has not granted share options since 2008. Options expire ten years after the grant date if not exercised.

Share option activity for the year ended December 31, 2015 and 2014, is summarized below:

	Number of shares under option	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding as of January 1, 2015	185,404	$ 22.96		
Forfeited or expired during the year	(60,372)	26.97		
Outstanding as of December 31, 2015	125,032	$ 21.02	2.4	$ 164
Exercisable at December 31, 2015	125,032	$ 21.02	2.4	$ 164

	Number of shares under option	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding as of January 1, 2014	384,643	$ 24.52		
Exercised during the year	(189,000)	25.00		
Forfeited or expired during the year	(10,239)	43.85		
Outstanding as of December 31, 2014	185,404	$ 22.96	2.7	$ 835
Exercisable at December 31, 2014	185,404	$ 22.96	2.7	$ 835

No options were exercised in 2015. The aggregate intrinsic value of options exercised in 2014 was $1.4 million.

Award modifications - In 2014, the company accelerated the vesting of share-based awards and extended the exercise period for vested SARs held by two retiring employees whose awards would otherwise have been forfeited upon retirement. Because of the modifications, the company recognized additional compensation expense in 2014 in the amount of $0.9 million, net of forfeitures, which is included in selling, general and administrative expense. The company valued the modified SARs assuming they are to be outstanding near or until such time as they expire.

21. FINANCIAL INSTRUMENTS

Financial assets and liabilities were as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Financial assets:			
Cash and cash equivalents	$ 484,228	$ 339,154	$ 1,092,844
Restricted cash	13,508	16,304	13,750
Trade and other receivables	408,878	541,711	340,625
Financial liabilities:			
Trade and other payables	258,567	278,254	237,710
Borrowings	2,692,419	2,788,482	1,995,069

21.1 Capital Management

The company manages its Capital to ensure that entities in the group will be able to continue as going concerns while maximizing the return to shareholders through optimizing the debt and equity balance.

The gearing ratio at the end of the reporting period was as follows (in thousands):

	December 31, 2015	December 31, 2014	January 1, 2014
Debt	2,692,419	2,788,482	1,995,069
Cash and cash equivalents	484,228	339,154	1,092,844
Net debt	2,208,191	2,449,328	902,225
Equity	1,440,530	4,862,935	4,999,407
Net debt to equity ratio	1.5	0.5	0.2

21.2 Risk Management

In the past, we have entered into spot purchases or short-term derivative transactions, such as forward exchange contracts, with one-month durations. We did not enter into such transactions for the purpose of speculation, trading or investing in the market and we believe that our use of forward exchange contracts has not exposed us to material credit risk or other material market risk. Although our risk policy allows us to enter into such forward exchange contracts, neither the company nor the group currently anticipate entering into such transactions in the future and had no such contracts outstanding as of 31 December 2015.

We invest our excess cash primarily in time deposits and high-quality money market accounts at several large commercial banks with strong credit ratings, and therefore believe that our risk of loss is minimal.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The group is exposed to credit risk relating to its receivables from customers. The group's customers largely consist of major international oil and gas exploration companies, national oil and gas companies and independent oil and gas companies. The group routinely evaluates the credit quality of potential customers and maintains reserves for credit losses, which have been within management's expectations.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In 2012, the group issued $1.1 billion in debt in public offerings and an additional $800 million in January 2014. In May 2015, we amended and restated our revolving credit agreement to increase the borrowing capacity under the facility from $1 billion to $1.5 billion and to extend the maturity date by one year to January 2020. In January 2016, we further amended the revolving credit agreement to extend the maturity date by one year to January 2021. Availability under the facility is $1.5 billion through 23 January 2019, declining to $1.44 billion through 23 January 2020, and to approximately $1.29 billion through the maturity in 2021. There were no amounts drawn under the revolving credit facility at 31 December 2015. Management believes that cash flows from operating activities, existing cash balances, and amounts available under the group's revolving credit facility will be sufficient to satisfy the group's near- and long-term cash requirements.

Market risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability such as changes in currency exchange rates. The majority of the group's transactions are denominated in United States dollars. In order to reduce the impact of exchange rate fluctuations, the group generally requires customer payments to be in U.S. dollars and limits non-U.S. currency holdings to the extent they are needed to pay liabilities denominated in local currencies. In certain countries in which we operate, local laws or contracts may require us to receive payment for a portion of the contract in the local currency. In such instances, we may hold a greater amount of local currency than would otherwise be the case exposing us to a risk of exchange loss. Fluctuating commodity prices affect the group's future earnings materially to the extent that they influence demand for the group's products and services.

21.2.1 Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below presents the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The impact of discounting is not significant at December 31, 2015 and 2014; therefore, the amounts disclosed in the table are the contractual undiscounted cash flows and reconcile to the amounts in the consolidated statement of financial position at December 31, 2015 and 2014. Balances due within 12 months equal their carrying balances (in thousands).

	Less than 1 year	> 1 and <= 3 years	> 3 and <= 5 years	Over 5 Years
At 31 December 31, 2015				
Borrowings	$ —	$ 365,494	$ 432,870	$ 1,894,055
Trade and other payables	258,567	—	—	—
At 31 December 31, 2014				
Borrowings	$ —	$ 398,009	$ 496,150	$ 1,894,323
Trade and other payables	278,254	—	—	—

21.2.2 Market Risk

Our outstanding debt at December 31, 2015, consisted entirely of fixed-rate debt with a carrying value of $2.692 billion and a weighted-average annual interest rate of 5.6%. Due to the fixed-rate nature of our debt, management believes the risk of loss due to changes in market interest rates is not material.

In order to reduce the impact of exchange rate fluctuations, we generally require customer payments to be in U.S. dollars and try to limit local currency holdings to the extent they are needed to pay liabilities denominated in local currencies. In certain countries in which we operate, local laws or contracts may require us to receive a portion or all of a payment in the local currency. In such instances, we may be exposed to devaluation and other risk of exchange loss. In the event we terminate operations in such countries, we may not be able to utilize or convert such funds to another currency for future use.

As of December 31, 2014 we had outstanding forward exchange contracts maturing on January 31, 2015, in the aggregate notional amount of $32 million consisting of $14.1 million in British pound sterling, $10.2 million in Norwegian kroner, $6.7 million in Saudi riyals, $0.5 million in euros, and $0.5 million in other currencies. The forward exchange contracts were not designated nor accounted for as hedges. We had no such contracts outstanding as of December 31, 2015.

Fluctuating commodity prices affect our future earnings materially to the extent that they influence demand for our products and services.

21.2.3 Foreign Currency Risk

The company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the company's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows (in thousands):

	Assets			Liabilities		
	December 31,		January 1,	December 31,		January 1,
	2015	2014	2014	2015	2014	2014
Egyptian pound	$ 13,508	$ 16,304	$ 13,750	$ 15	$ (179)	$ 183
Angola kwanza	6,562	5,859	173	2,709	1,184	—
British pound sterling	1,853	5,043	3,422	6,991	12,031	6,208
Indonesian rupiah	4,467	4,632	3,096	32	421	502
Norwegian krone	3,331	4,627	3,441	25,976	14,180	12,649
Saudi Arabian Riyal	1,840	4,226	1,829	11,803	4,337	8,203
Euro	738	585	582	1,886	2,033	6,360
Others	3,634	3,263	5,162	4,212	6,734	5,255
	$ 35,933	$ 44,539	$ 31,455	$ 53,624	$ 40,741	$ 39,360

Based on net asset (liability) positions as of December 31, 2015, a 10% increase or decrease in the following currencies would increase (decrease) pretax income by the following amounts (in thousands):

	Impact on pretax income of a 10% increase in the foreign currency value	Impact on pretax income of a 10% decrease in the foreign currency value
Norwegian krone	$ (2,264)	$ 2,264
Egyptian pound	1,353	(1,353)
British pound sterling	(514)	514

21.3 Fair Value Measurements

***21.3.1** Assets and Liabilities measured at fair value on a recurring basis*

Assets and liabilities measured at fair value on a recurring basis at December 31, 2015 and 2014, and January 1, 2014 are presented below (in thousands):

	Fair value	Fair value Hierarchy	Quoted prices of identical instruments	Model-derived valuations
December 31, 2015:				
Assets - cash equivalents	$ 465,388	Level 1	$ 465,388	$ —
Others assets	13,508	Level 1	13,508	—
Liabilities - Performance Units	19,007	Level 2	—	19,007
December 31, 2014:				
Assets - cash equivalents	$ 314,570	Level 1	$ 314,570	$ —
Others assets	16,304	Level 1	16,304	—
Liabilities - Performance Units	11,644	Level 2	—	11,644
January 1, 2014:				
Assets - cash equivalents	$ 1,063,500	Level 1	$ 1,063,500	$ —
Liabilities - Performance Units	4,451	Level 2	—	4,451

There are no transfers between levels of fair value hierarchy during the reporting periods.

Other assets in the table above are comprised of Egyptian pounds. We ceased drilling operations in Egypt in 2014, and are currently working to obtain access to the funds for use outside Egypt to the extent they are not utilized.

See note 20 for a discussion of Performance Units.

***21.3.2** Assets and Liabilities that are not measured at fair value:*

Trade receivables and trade payables have carrying values that approximate their fair values due to their short maturities.

21.3.4 Other Fair Value Measurements

Financial instruments not required to be measured at fair value consist of the Company's publicly traded debt securities. Our publicly traded debt securities are classified as long-term debt and had a carrying value of $2.692 billion at December 31, 2015, and an estimated fair value at that date aggregating $2.072 billion, compared to a carrying and fair value of $2.788 billion and $2.755 billion, respectively, at December 31, 2014. Fair values of our publicly traded debt securities were provided by a broker who makes a market in such securities and were measured using a market-approach valuation technique. Fair value was determined by adding a spread based on actual trades for that security (or a trader quote where actual trades were unavailable) to the applicable benchmark Treasury security with a comparable maturity in order to derive a current yield. The yield is then used to determine a price given the individual security's coupon rate and maturity. Such inputs are considered "significant other observable inputs," which are categorized as Level 2 inputs in the fair value hierarchy.

22. AUDITOR REMUNERATION

An analysis of the auditor's remuneration is as follows:

	December 31, 2015	December 31, 2014
	(in thousands)	
Fees payable to the group's auditor for the audit of both the parent company and the group's annual report and accounts[a]	$ 1,344	$ 1,355
Fees payable to the group's auditor and its associates for other services:		
The audit of the parent's subsidiaries[b]	970	999
Audit related assurance services[c]	773	530
	1,743	1,529
Total fees payable for audit services	$ 3,087	$ 2,884
Taxation compliance services[d]	855	1,573
Other taxation advisory services[e]	1,553	3,733
	2,408	5,306
	$ 5,495	$ 8,190

[a] Fees for audit services consisted of audit of our annual group financial statements; services related to SEC matters; attestation of management's internal controls; and audit of our annual parent company financial statements.

[b] Fees for audit services consisted of statutory audits.

[c] Fees for reviews of our quarterly group financial statements; audit-related services consisted of consulting services (in 2015) for International Financial Reporting Standards, conversion requirements necessary for the Company's UK Annual Report and periodical subscriptions.

[d] Fees for tax compliance services consisted of documenting, computing and obtaining government approval for amounts to be included in tax filings based upon facts already in existence or transactions that have already occurred.

[e] Other taxation advisory services fees consists of consulting services.

23. STAFF COSTS

The average monthly number of employees (including executive directors) was:

	2015 Number	2014 Number
Offshore	3,062	2,963
Onshore	709	833
	3,771	3,796

Their aggregate remuneration comprised (in thousands):

	2015 $	2014 $
Wages and salaries	456,877	398,865
Share-based compensation	30,741	32,983
Social security costs	36,508	36,540
Other pension and post-employment costs	57,097	46,403
	581,223	514,791

24. LOSS PER SHARE

The calculation of loss per share is based on the following data (in thousands):

	December 31	
	2015	2014
Loss:		
Loss for the purposes of loss per share	$ (3,278,662)	$ (48,946)
Number of shares:		
Weighted average number of ordinary shares	124,508	124,067

Potentially dilutive shares, which were excluded from the computation due to a reported net loss, included the following:

	December 31	
	2015	2014
Share options and appreciation rights	1,359	2,234
Nonvested restricted shares and restricted share units	1,677	619
Total potentially dilutive shares	3,036	2,853

25. LEASES

The Company has operating leases covering office space and equipment. Certain of the leases are subject to escalations based on increases in building operating costs. Rental expense attributable to continuing operations was $13.2 million in 2015 and $13.8 million in 2014.

Future minimum payments to be made under noncancelable operating leases were as follows (in thousands):

	December 31,	
	2015	2014
Not later than one year	$ 7,125	$ 7,045
Later than one year and not later than five years	21,109	22,608
Later than five years	12,040	16,138
	$ 40,274	$ 45,791

26. PROFIT FOR THE YEAR

Loss for the year from continuing operations has been arrived at after charging (crediting):

	December 31	
	2015	2014
Foreign currency losses	$ 3,850	$ 452
Depreciation of property plant and equipment	340,440	314,789
Impairment of property plant and equipment	3,859,079	432,221
Gain on disposals of property and equipment	(7,703)	(1,778)
Staff costs	581,223	514,791

27. RELATED PARTY TRANSACTIONS

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The company has not entered into any related party transactions that require disclosure in the financial statements. Remuneration of our key management personnel, which we have defined as the members of our board of directors, is set forth on pages B-5 through B-10 of Annex B of the Proxy Statement.

28. FINANCE EXPENSE

(in thousands)	**2015**	**2014**
Interest on senior notes	$ 159,952	$ 158,012
Amortization of debt issue costs	1,579	3,478
Total interest expense	161,531	161,490
Less: amounts capitalized in property and equipment	(16,214)	(57,556)
	$ 145,317	$ 103,934

ROWAN COMPANIES PLC

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
At 31 December
(In thousands)

	Notes	2015 $	2014 $
Current assets:			
Cash and cash equivalents		17,297	45,909
Miscellaneous receivables		737	111
Prepaid expenses		393	424
		18,427	46,444
Noncurrent assets:			
Investment in subsidiary	8	3,531,231	4,380,981
Note receivable due from subsidiary		—	36,500
Total assets		3,549,658	4,463,925
Current liabilities:			
Trade and other payables	11	(9,274)	(16,419)
Total liabilities		(9,274)	(16,419)
Net assets		3,540,384	4,447,506
Equity:			
Called up share capital	9	15,822	15,682
Capital contribution		2,411,235	2,389,702
Capital reduction reserve		2,003,221	2,003,221
Owned shares		(12,286)	(8,052)
Retained earnings (deficit)		(877,608)	46,953
Total equity		3,540,384	4,447,506

The financial statements of Rowan Companies plc (registered number **07805263**) were approved on behalf of the Board by the Chairman of the Audit Committee and were authorized for issue on May 11, 2016. They were signed on behalf of the Board by:

/s/ Thomas P. Burke
Thomas P. Burke
Chief Executive Officer and Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
(In thousands)

	Share capital	Capital contribution	Capital reduction reserve	Owned shares	Retained earnings (deficit)	Total equity
	$	$	$	$	$	$
Balance, 1 January 2014	15,676	4,359,690	3,221	(6,025)	13,242	4,385,804
Capital reduction	—	(2,000,000)	2,000,000	—	—	—
Other	—	(4)	—	—	—	(4)
Recognized share-based compensation	—	28,446	—	—	—	28,446
Shares issued under share-based compensation plans	6	1,570	—	(2,027)	—	(451)
Dividends declared	—	—	—	—	(37,695)	(37,695)
Net income for the year	—	—	—	—	71,406	71,406
Balance, 1 January 2015	15,682	2,389,702	2,003,221	(8,052)	46,953	4,447,506
Recognized share-based compensation	—	23,830	—	—	—	23,830
Shares issued under share-based compensation plans	2	395	—	(4,096)	—	(3,699)
Shares issued to employee benefit trust	138	—	—	(138)	—	—
Tax deficit attributable to share-based compensation	—	(2,692)	—	—	—	(2,692)
Dividends declared	—	—	—	—	(50,512)	(50,512)
Net loss for the year	—	—	—	—	(874,049)	(874,049)
Balance, 31 December 2015	15,822	2,411,235	2,003,221	(12,286)	(877,608)	3,540,384

PARENT COMPANY CASH FLOW STATEMENT
(In thousands)

	Notes	2015 $	2014 $
Net cash (outflow) inflow from operating activities	14	(14,469)	(19,496)
Investing activities			
Dividend income received		—	75,000
Collections on note receivable due from subsidiary		36,593	—
Investment in and advances to subsidiaries		(250)	(36,500)
Interest income		26	312
Net cash from investing activities		36,369	38,812
Financing activities			
Dividends paid	10	(50,512)	(37,695)
Other		—	(4)
Net cash used in financing activities		(50,512)	(37,699)
Net (decrease) increase in cash and cash equivalents		(28,612)	(18,383)
Cash and cash equivalents at beginning of period		45,909	64,292
Cash and cash equivalents at end of period		17,297	45,909

1. General information

Rowan Companies plc (the "company") is a public limited company incorporated in the United Kingdom under the Companies Act and listed on the New York Stock Exchange. Effective May 4, 2012, the company became the successor issuer to Rowan Companies, Inc. (RCI) pursuant to an agreement and plan of merger and reorganization (the "redomestication") approved by the stockholders of RCI on April 16, 2012. As a result of the redomestication, RCI became an indirect subsidiary of the company, and the company became a public limited company and the parent of the group of companies previously headed by RCI. The address of the registered office is c/o CMS Cameron McKenna, Mitre House, 160 Aldersgate Street, London, United Kingdom, EC1A4DD.

The company is the parent of a group of companies that provide offshore oil and gas contract drilling services internationally utilizing a fleet of 27 self-elevating mobile offshore "jack-up" drilling units and four ultra-deepwater drillships. The company has no operating or significant assets other than its investments in its consolidated subsidiaries.

The group conducts offshore drilling operations in various markets throughout the world currently including the U.K. and Norwegian sectors of the North Sea, United States Gulf of Mexico (US GOM), Middle East and Trinidad.

These financial statements are presented in United States dollars because that is the currency of the primary economic environment in which the company operates.

The company registration number is **07805263**.

2. Adoption of new and revised standards

A list of the relevant Standards and Interpretations that were in issue but not yet effective nor applied in these financial statements can be found in note 3 to the group accounts.

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of Rowan Companies plc in future periods.

3. Significant Accounting policies

The separate financial statements of the company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union and IFRIC interpretations and have been prepared in accordance with the historical cost convention.

The principal accounting policies applied in preparation of the parent company financial statements are set out below. These policies have been consistently applied unless otherwise stated.

Going concern

The directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and have concluded that the use of the going concern basis is appropriate. In coming to their conclusion, the directors have considered the financial position and cash requirements of the company for the period of 12 months from the date of signing of the financial statements. Further details are provided in the "going concern basis" section of the directors' report.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis in preparing the annual financial statements.

Investments

The company records its investments in subsidiary undertakings at cost, subject to any provision for impairment. For these purposes, the cost on initial recognition is the fair value of the subsidiary undertaking on the date of acquisition (see note 8).

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is recognized in the financial statements on an accelerated basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest. This estimate is revised throughout the vesting period on a continuous basis, as shares are forfeited. The impact of the revisions is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Share-based awards granted to nonemployee directors may be settled in cash or shares at the discretion of the Compensation Committee determined at the settlement date. The Company accounts for such awards under the liability method of accounting. Compensation is recognized over the service period initially based on the market price of the underlying shares on the grant date and is adjusted for changes in market value through the settlement date.

Share-based compensation for employees of the Company's subsidiaries is recognised as an investment in the subsidiary, unless this expense is recharged.

Trade payables

Payables are recognised initially at fair value and subsequently stated at amortised cost. The difference between the proceeds and the amount payable is recognised over the year of the payable using the effective interest method. There is no difference in the year between fair value and amortised costs.

Foreign currencies

The individual financial statements are presented in United States dollars. The U.S. dollar is the currency of the primary economic environment and the functional currency of the company. Transactions in currencies other than the U.S. dollar are recorded at the average exchange rates for the month, unless the exchange rate on the transaction date varies significantly from the average rate, in which case the rate at the transaction date is used. Assets and liabilities denominated in currencies other than the U.S. dollar are remeasured in U.S. dollars at the exchange rates prevailing on the balance sheet date. Exchange differences are recognised in profit or loss in the period in which they arise.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, involve the recoverability of the company's investment in subsidiary.

We evaluate the carrying value of our investment in subsidiaries whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Impairment evaluations are, by nature, highly subjective. In most instances, they involve expectations of future cash flows to be generated by the group's offshore drilling rigs underlying the value of the company's investments in subsidiaries and are based on management's judgments and assumptions regarding future industry conditions and operations, as well as management's estimates of an appropriate discount rate together with future expected utilization, contract rates, expense levels and capital requirements of our drilling rigs. The estimates, judgments and assumptions used by management in the application of our impairment policies reflect both historical experience and an assessment of current operational, industry, market, economic and political environments. The use of different estimates, judgments, assumptions and expectations regarding future industry conditions and operations would likely result in materially different asset carrying values and operating results.

During the year, management recognized an $871 million impairment charge on its investment in its subsidiary (see note 8).

5. Net profit (loss) for the year

As permitted by section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the year. The company reported a net loss for the financial year ended 31 December 2015 of $874.0 million (2014: profit of $71,405 thousand). The company received no dividend income for 2015 (2014: $75,000 thousand).

6. Share-based payments

As a result of the redomestication process the existing share-based compensation schemes were transferred to the company from the date that it became the head of the Rowan group of companies. Effective 1 January 2013, a liability in the amount of $5,773,065 was assumed by the company upon transfer. The net loss for 2015 included a net credit of $221 thousand for share-based compensation (2014: a net credit of $1,144 thousand). The net credits for 2015 and 2014 were the result of fair market value adjustments to the liability for share-based compensation.

During 2015, liability awards were settled totaling $945 thousand (2014: $1,164 thousand). Further details on the various schemes in place are provided in Note 20 of the group financial statements.

7. Auditors' remuneration

The analysis of auditor remuneration is as follows (in thousands):

	2015	**2014**
	$	**$**
Fees payable to the company's auditor for the audit of the company's annual accounts	120	114

8. Investment in subsidiaries

The movement in the company's investment during the year was as follows (in thousands):

	$
Balance, 1 January 2015	4,380,981
Capital contribution - share-based compensation charged to subsidiary undertakings	23,830
Tax deficit attributable to share-based compensation	(2,692)
Cash investment in subsidiary	250
Impairment charge	(871,000)
Other	(138)
Balance, 31 December 2015	3,531,231

In 2015, due to the decline in market conditions and our expectation of future rig utilization and day rates, we conducted an impairment test of Rowan's investment in its subsidiary and determined that its carrying value was in excess of its recoverable amount, which we estimated to be $3.5 billion based on value in use. As a result, we recognized a non-cash impairment charge of $871 million in 2015. We used a discount rate of 15% for purposes of computing value in use. A discount rate that was higher (lower) by 100 basis points would have increased (decreased) the impairment charge by $214 million ($247 million).

See note 15 for a complete listing of subsidiaries.

9. Called up share capital

The analysis of called up share capital is as follows:

	2015 No. of shares	2014 No. of shares
Authorized		
Class A ordinary shares, par value, $0.125 per share	126,834,407	125,734,407
Class B ordinary shares, par value, 1 GBP per share	50,000	50,000
Issued		
Class A ordinary shares, par value, $0.125 per share	125,947,424	124,828,807
Class B ordinary shares, par value, 1 GBP per share	50,000	50,000

	2015 $	2014 $
Issued and fully paid (in thousands)		
Class A ordinary shares, par value, $0.125 per share	15,743	15,603
Class B ordinary shares, par value, 1 GBP per share	79	79
	15,822	15,682

The movement in shares for the year follows ($ in thousands):

	No. of shares Issued	Share Capital $
Balance, 1 January 2015	124,828,807	15,682
Shares issued under share-based compensation plans	1,118,617	140
Balance, 31 December 2015	125,947,424	15,822

On 4 May 2012 (the "effective date"), the company became the successor issuer to Rowan Companies, Inc. pursuant to an agreement and plan of merger and reorganization (the "redomestication") approved by the stockholders of Rowan Companies, Inc. on 16 April 2012. As a result of the redomestication, Rowan Companies, Inc. became an indirect subsidiary of the company, and the company became the parent of the group of companies previously headed by Rowan Companies, Inc. In the redomestication, each stockholder of Rowan Companies, Inc. received one Class A ordinary share of the company for each share of Rowan Companies, Inc. held at the effective date. The company recorded a premium adjustment in the amount of $4.309 billion, which reflected the directors' estimate of the fair value of the company's wholly owned subsidiary acquired in the redomestication measured at the effective date. The fair value took into consideration the market capitalization of the group at the effective date.

In connection with the redomestication, the company issued 50,000 Class B ordinary shares to Rowan Companies, Inc. for one GBP per share, which was equivalent to $78,900 at the time of the transaction.

10. Dividends and Capital Reduction

In April 2014, the Board of Directors approved its first quarterly cash dividend in several years. The Company paid dividends totaling $0.30 per share in 2014 and $0.40 per share in 2015. In January 2016, the company announced it had discontinued its quarterly dividend.

In September 2014 we completed a capital reduction under U.K. law, which increased the company's distributable reserves and will provide the company with greater flexibility to increase shareholder return in the form of dividends and share repurchases. The capital reduction was authorized by our Board of Directors and approved by our shareholders at a general meeting in August 2014. The capital reduction was achieved through the issuance and cancellation of $2.0 billion of newly created Class C shares pursuant to a customary, court approved process in the U.K.

The capital reduction shares had no substantive economic rights, provided no voting rights and otherwise provided extremely limited rights (*e.g.*, no right to receive any dividends or other distributions). The capital reduction shares were canceled in September 2014, and $2.0 billion of shareholders' equity of the company that was not previously available for distribution under U.K. law became available for dividends, future distributions or share repurchases, as may be determined by our Board of Directors, subject to compliance with applicable rules and limitations under U.K. law.

The capital reduction was a noncash transaction; i.e., it did not involve any distribution or repayment of capital, nor did it have an impact on the underlying net assets of the company. There was no net impact on our shareholders' equity as a result of the capital reduction.

11. Trade and other payables

(In thousands)

	2015 $	2014 $
Trade creditors and accruals	1,736	1,312
Accrued compensation	4,659	5,826
Amounts due to subsidiary undertakings	2,879	9,281
	9,274	16,419

Accrued compensation at 31 December 2015 comprised amounts accrued under a share-based compensation plan. For further details, please see "Non-employee Director Restricted Share Units" in Note 20 of the group financial statements.

Amounts due to subsidiary undertakings at 31 December 2015 and 2014 were substantially due to RCI.

12. Financial assets and liabilities

The company's cash and cash equivalents consisted of certificates of deposits and short-term bank deposits with an original maturity of three months or less. Miscellaneous receivables consist of amounts due from subsidiary undertakings, U.K. VAT and vendors from whom we have credit balances. The company had an interest bearing note receivable from a subsidiary due October 2017 in the principal amount of $36,500,000, which was collected in full in 2015. The note bore interest at the lowest Applicable Federal Rate for short term debt instruments, compounded monthly, in effect for each month in which any portion of the note was outstanding. Interest was received quarterly. Financial liabilities consist of trade creditors and amounts due to subsidiary undertakings carried at amortized cost. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Liquidity and interest risk

The company's receivables and payables due within one year are non-interest bearing.

The risk management policies employed by the company to manage these risks are discussed below. The primary objective of the financial instrument risk management function is to establish risk limits, and then ensure that exposure to risks stay within these limits.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company does not have significant exposure to credit risk as it does not have any trade receivables, and only trades with its subsidiaries.

Market risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company's policy is to maintain natural hedges, where possible, by matching revenue and receipts with expenditures. During the year the company had limited exposure to Pounds Sterling (GBP). Due to the limited foreign currency exposure, management believes that movements in exchange rates would not have a material effect on the carrying values of assets and liabilities.

13. Related party transactions

Other than the directors, who, (together with executive officers) represent the company's key management personnel, the company has no paid employees. Executive officers are paid employees of RCI and provide services to the company. RCI provides support services to the company at cost plus a nominal fee as a percentage of cost. For 2015, such charges totaled $23,439 thousand (2014: $22,837 thousand).

The company and RCI have entered into agreements providing for, among other things, the full, unconditional and irrevocable guarantee by the company of the prompt payment, when due, of any amount owed by RCI under its Senior Notes and revolving credit facility (see Note 11 of the group financial statements). The company charges RCI a guarantee fee at an annual rate of 0.8% for 2015 (2014: 0.8%) of the outstanding balance of the Senior Notes and amounts outstanding under the revolving credit facility, if any. Such guarantee fee totaled $22,304 thousand in 2015 (2014: $22,400 thousand).

The company had entered into a loan agreement with a subsidiary whereby the subsidiary issued a note payable to the company due October 2017 in the principal amount of $36,500,000, which was collected in full in 2015. The note bore interest at the lowest Applicable Federal Rate for short term debt instruments, compounded monthly, in effect for each month in which any portion of the note was outstanding. Interest was received quarterly.

Details of directors' emoluments presented in accordance with Accounting Regulations Schedule 5 are provided on pages B-5 through B-10 of Annex B of the Proxy Statement.

14. Reconciliation of operating loss to operating cash flows

(In thousands)

	2015 $	2014 $
Operating loss	(874,049)	(3,594)
Asset impairment charge	871,000	—
Change in working capital	(11,420)	(15,902)
Net cash (outflow) inflow from operating activities	(14,469)	(19,496)

All cash flows are generated from continuing operations.

The operating loss for 2015 includes interest income of $822 thousand (2014: $341 thousand). The company did not receive any dividend income in 2015 (2014: $75,000 thousand).

15. Subsidiaries

The following is a listing of the company's subsidiaries at 31 December 2015. Subsidiaries are (i) holding companies, (ii) owners and/or operators of offshore drilling equipment, or (iii) subsidiaries that otherwise support the company's offshore drilling operations. Subsidiaries denoted by an asterisk ("*") are our significant subsidiaries, all of which are wholly owned.

	Company Name	Jurisdiction
*	Atlantic Maritime Services LLC (fka Atlantic Maritime Services, Inc.)	USA Delaware
	British American Offshore Limited	UK England & Wales
*	Great White Shark Limited	Gibraltar
*	Green Turtle Limited	Gibraltar
*	Lionfish Luxembourg S.a r.l.	Luxembourg
	Manatee Limited	Malta
	Manta Ray Limited	Malta
	Marine Blue Limited	Gibraltar
	Ralph Coffman Cayman Limited (fka Rowan S116E#3, Inc.)	Cayman Islands
	Ralph Coffman Limited	Gibraltar
*	Ralph Coffman Luxembourg S.à r.l. (fka Rowan Financement S.à r.l.)	Luxembourg
	RCI International, Inc.	Cayman Islands
	RD International Services Pte. Ltd.	Singapore
*	RDC Arabia Drilling, Inc.	Cayman Islands
	RDC Holdings Luxembourg S.à r.l.	Luxembourg
	RDC Malta Limited (fka RDC (Gibraltar) Limited)	Malta
	RDC Marine, Inc.	USA Texas
*	RDC Offshore Luxembourg S.à r.l.	Luxembourg
	RDC Offshore Malta Limited (fka RDC Offshore (Gibraltar) Limited)	Malta
	Renaissance Cayman Limited (fka Rowan Cayman Holding Limited)	Cayman Islands
	Resolute Cayman Limited	Cayman Islands
	RoCal Cayman Limited (fka RCI Drilling International, Inc.)	Cayman Islands
	Rowan 240C#3, Inc.	Cayman Islands
	Rowan 350 Slot Rigs, Inc. (fka RDC Qatar, Inc.)	USA Delaware
	Rowan Angola Limitada	Angola
	Rowan Austria GmbH	Austria
*	Rowan California S.à r.l.	Luxembourg
*	Rowan Cayman Limited	Cayman Islands
*	Rowan Companies, Inc.	USA Delaware
	Rowan Deepwater Drilling (Gibraltar) Limited	Gibraltar
	Rowan do Brasil Servicos de Perfuraçao Ltda.	Brazil
	Rowan Drilling & Aviation (Netherlands) B.V.	The Netherlands
	Rowan Drilling Americas Limited (in liquidation)	England & Wales
	Rowan Drilling Cyprus Limited	Cyprus
	Rowan Drilling (Gibraltar) Limited	Gibraltar
*	Rowan Drilling (Trinidad) Limited	Cayman Islands
*	Rowan Drilling Services Limited (fka Rowan Labor (Gibraltar) Limited	Gibraltar
	Rowan Drilling Services Nigeria Limited	Nigeria
*	Rowan Drilling (U.K.) Limited	UK Scotland
	Rowan Drilling US Limited	England & Wales
	Rowan Egypt Petroleum Services L.L.C.	Egypt
	Rowan Finance LLC	USA Delaware

	Company Name	Jurisdiction
	Rowan Finanz S.à r.l.	Luxembourg
	Rowan Global Drilling Services Limited	Gibraltar
	Rowan Gorilla V (Gibraltar) Limited	Gibraltar
	Rowan Gorilla VII (Gibraltar) Limited	Gibraltar
	Rowan Holdings Luxembourg S.à r.l.	Luxembourg
	Rowan Marine Services, Inc.	USA Texas
	Rowan Middle East, Inc.	Cayman Islands
*	Rowan N-Class (Gibraltar) Limited	Gibraltar
	Rowan No. 1 Limited	England & Wales
	Rowan No. 2 Limited	England & Wales
	Rowan North Sea, Inc.	Cayman Islands
*	Rowan Norway Limited (fka Rowan (Gibraltar) Limited)	Gibraltar
*	Rowan Offshore (Gibraltar) Limited	Gibraltar
*	Rowan Offshore Luxembourg S.à r.l.	Luxembourg
	Rowan Petroleum, Inc.	USA Texas
	Rowan Relentless Limited	Gibraltar
*	Rowan Relentless Luxembourg S.à r.l. (fka Rowan Finanzeieren S.à r.l.)	Luxembourg
	Rowan Reliance Cayman Limited	Cayman Islands
	Rowan Reliance Limited	Gibraltar
*	Rowan Reliance Luxembourg S.à r.l.	Luxembourg
	Rowan Resolute Limited	Gibraltar
*	Rowan Renaissance Luxembourg S.à r.l.	Luxembourg
*	Rowan Resolute Luxembourg S.a r.l.	Luxembourg
	Rowan, S. de R.L. de C.V.	Mexico
	Rowan Services LLC	USA Delaware
	Rowan S116E#4, Inc.	Cayman Islands
	Rowan (UK) Relentless Limited	England & Wales
	Rowan (UK) Reliance Limited	England & Wales
	Rowan (UK) Renaissance Limited	England & Wales
	Rowan UK Renaissance Onshore Limited	England & Wales
	Rowan (UK) Resolute Limited	England & Wales
	Rowan US Holdings (Gibraltar) Limited	Gibraltar
	Rowandrill, Inc.	USA Texas
	Rowandrill Labuan Limited	Labuan
	Rowandrill Malaysia Sdn. Bhd.	Malaysia
	SKDP 1 Limited	Cyprus
	SKDP 2 Limited	Cyprus
	SKDP 3 Limited	Cyprus

APPENDIX A

Please see U.K. Directors' Remuneration Report contained in Annex A and B to the Proxy Statement for the General Meeting of Shareholders of Rowan Companies plc to be held on June 30, 2016

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APPENDIX B

Excerpts from the Company's U.S. Annual Report on Form 10-K for the year ended December 31, 2015 are attached hereto

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the year ended December 31, 2015

OR

☐ 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: 1-5491

Rowan Companies plc

(Exact name of registrant as specified in its charter)

England and Wales	98-1023315
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2800 Post Oak Boulevard, Suite 5450
Houston, Texas 77056-6189
(Address of principal executive offices)

Registrant's telephone number, including area code: (713) 621-7800

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A ordinary shares, $0.125 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the 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 ☑ No ☐

Indicate by check mark whether the 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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

The aggregate market value of common equity held by non-affiliates of the registrant was approximately $2.6 billion as of June 30, 2015, based upon the closing price of the registrant's ordinary shares on the New York Stock Exchange Composite Tape of $21.11 per share.

The number of Class A ordinary shares, $0.125 par value, outstanding at January 31, 2016, was 124,824,224, which excludes 1,123,200 shares held by an affiliated employee benefit trust.

DOCUMENTS INCORPORATED BY REFERENCE

Document	**Part of Form 10-K**
Portions of the Proxy Statement for the 2016 Annual General Meeting of Shareholders	Part III, Items 10-14

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

Statements contained in this report that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include words or phrases such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "could," "may," "might," "should," "will," "forecast," "potential," "outlook," "scheduled," "predict," "will be," "will continue," "will likely result," and similar words and specifically include statements regarding expected financial and operating performance; dividend, share repurchases and debt retirement; business strategies; expected utilization, day rates, revenues, operating expenses, contract terms, contract backlog, and fleet status; capital expenditures; tax rates and positions; impairments; insurance coverages; access to financing and funding sources, including borrowings under our credit facility; repayment of debt; the availability, delivery, mobilization, contract commencement, relocation or other movement of rigs and the timing thereof; construction, enhancement, upgrade or repair and costs and timing thereof; the suitability of rigs for future contracts; general market, business and industry conditions, trends and outlook; rig demand; future operations; the impact of increasing regulatory requirements and complexity; expected contributions from our new rigs and our entry into the ultra-deepwater market; divestiture of selected assets; expense management; the likely outcome of legal proceedings or insurance or other claims and the timing thereof; activity levels in the offshore drilling market; customer drilling programs; the impact of competition and consolidation in the industry; timing of acquisitions, dispositions and other business transactions; and commodity prices. Such statements are subject to numerous risks, uncertainties and assumptions that may cause actual results to vary materially from those indicated, including:

- prices of oil and natural gas and industry expectations about future prices and impacts of global financial or economic downturns;
- changes in the offshore drilling market, including fluctuations in worldwide rig supply and demand, competition or technology;
- variable levels of drilling activity and expenditures, whether as a result of actions by OPEC, global capital markets and liquidity, prices of oil and natural gas or otherwise, which may cause us to idle or stack additional rigs;
- drilling permit and operations delays, moratoria or suspensions, new and future regulatory, legislative or permitting requirements (including requirements related to certification and testing of blowout preventers and other equipment or otherwise impacting operations), future lease sales, changes in laws, rules and regulations that have or may impose increased financial responsibility, additional oil spill contingency plan requirements and other governmental actions that may result in claims of *force majeure* or otherwise adversely affect our existing drilling contracts;
- governmental regulatory, legislative and permitting requirements affecting drilling operations or compliance obligations in the areas in which our rigs operate;
- tax matters, including our effective tax rates, tax positions, results of audits, changes in tax laws, treaties and regulations, tax assessments and liabilities for taxes;
- downtime, lost revenue and other risks associated with drilling operations, operating hazards, or rig relocations and transportation, including rig or equipment failure, collisions, damage and other unplanned repairs, the limited availability of transport vessels, hazards, self-imposed drilling limitations and other delays due to weather conditions or otherwise, and the limited availability or high cost of insurance coverage for certain offshore perils or associated removal of wreckage or debris and other losses;
- access to spare parts, equipment and personnel to maintain, upgrade and service our fleet;
- possible cancellation or suspension of drilling contracts as a result of economic conditions in the industry, *force majeure,* mechanical difficulties, delays, performance or other reasons;
- potential cost overruns and other risks inherent to construction, repair, inspections or enhancement of drilling units, unexpected delays in rig and equipment delivery and engineering or design issues following shipyard delivery, delays in acceptance by our customers, or delays in the dates our drilling units will enter a shipyard, be transported and delivered, enter service or return to service;
- changes or delays in actual contract commencement dates; contract terminations, contract option exercises, contract revenues, contract awards; the termination of contracts or renegotiation of contract terms by customers or payment or operational delays by our customers;

- operating hazards, including environmental or other liabilities, risks, expenses or losses, whether related to well-control issues, or storm or hurricane damage, losses or liabilities (including wreckage or debris removal), collisions, or otherwise;

- our ability to retain highly skilled personnel on commercially reasonable terms, whether due to competition from other contract drillers, labor regulations or otherwise; our ability to seek and receive visas for our personnel to work in our areas of operation in a timely manner;

- governmental action and political and economic uncertainties, including uncertainty or instability resulting from civil unrest, political demonstrations, strikes, or outbreak or escalation of armed hostilities or other crises in oil or natural gas producing areas in which we operate, which may result in extended business interruptions, suspended operations, or claims by our customers of a *force majeure* situation and payment disputes;

- terrorism, piracy, cyber-breaches, outbreaks of any disease or epidemic and other related travel restrictions, political instability, hostilities, acts of war, nationalization, expropriation, confiscation or deprivation of our assets or military action impacting our operations, assets or financial performance in any of our areas of operations;

- the outcome of legal proceedings, or other claims or contract disputes, including any inability to collect receivables or resolve significant contractual or day rate disputes, any purported renegotiation, nullification, cancellation or breach of contracts with customers or other parties, and any failure to negotiate or complete definitive contracts following announcements of receipt of letters of intent;

- potential for asset impairments;

- impacts of any global financial or economic downturn;

- volatility in currency exchange rates and limitations on our ability to use or convert illiquid currencies through governmental licensing or other procedures;

- effects of accounting changes and adoption of accounting policies;

- costs and uncertainties associated with our 2012 redomestication from the United States to the United Kingdom, or changes in laws that could reduce or eliminate the anticipated benefits of the transaction;

- potential unplanned expenditures and funding requirements, including investments in pension plans and other benefit plans; and

- other important factors described from time to time in the reports filed by us with the Securities and Exchange Commission and the New York Stock Exchange.

All forward-looking statements contained in this Form 10-K speak only as of the date of this document and are expressly qualified in their entirety by such factors. We undertake no obligation to update or revise publicly any revisions to any such forward-looking statements that may be made to reflect events or circumstances after the date of this Form 10-K, or to reflect the occurrence of unanticipated events, except as required by applicable law.

Other relevant factors are included in Item 1A, "Risk Factors," of this Form 10-K.

PART I

ITEM 1. *BUSINESS*

Overview

Rowan Companies plc is a public limited company incorporated under the laws of England and Wales and listed on the New York Stock Exchange. The terms "Rowan," "Rowan plc," "Company," "we," "us" and "our" refer to Rowan plc and its consolidated subsidiaries, unless the context otherwise requires.

Rowan plc is a global provider of offshore contract drilling services to the international oil and gas industry, with a focus on high-specification and premium jack-up rigs and ultra-deepwater drillships. Our fleet currently consists of 31 mobile offshore drilling units, including 27 self-elevating jack-up rigs and four ultra-deepwater drillships. Our fleet operates worldwide, including the United States Gulf of Mexico (US GOM), the United Kingdom (U.K.) and Norwegian sectors of the North Sea, the Middle East and Trinidad. In 2015, we completed our ultra-deepwater drillship construction program with the following four new drillships:

- the *Rowan Renaissance,* which commenced drilling operations offshore West Africa in April 2014 and is now operating in the US GOM;
- the *Rowan Resolute,* which commenced operations in the US GOM in October 2014;
- the *Rowan Reliance,* which commenced operations in the US GOM in February 2015; and
- the *Rowan Relentless,* which commenced operations in the US GOM in June 2015.

We contract our drilling rigs, related equipment and work crews primarily on a "day rate" basis. Under day rate contracts, we generally receive a fixed amount per day for each day we are performing drilling or related services. In addition, our customers may pay all or a portion of the cost of moving our equipment and personnel to and from the well site. Contracts generally range in duration from one month to multiple years.

For information with respect to our revenues, operating income and assets by operating segment, and revenues and assets by geographic area, see Note 12 of Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

Drilling Fleet

We believe our high-specification and premium jack-up fleet and ultra-deepwater drillships are well positioned to serve the worldwide market for high-pressure/high-temperature (HPHT) wells, including those in demanding locations. Our drilling fleet consists of the following:

- Four ultra-deepwater drillships delivered in 2014 and 2015;

- Nineteen high-specification cantilever jack-up rigs, including three *N-Class* rigs, four *EXL* class rigs, three *240C* class rigs, four enhanced *Super Gorilla* class rigs, one *Gorilla* class rig, and four *Tarzan Class* rigs. We use the term “high-specification” to describe jack-ups with a hook-load capacity of at least two million pounds.

- Eight premium cantilever jack-up rigs, including two *Gorilla* class rigs and six 116-C class rigs. We use the term “premium” to denote independent-leg cantilever jack-ups that can operate in at least 300 feet of water in benign environments.

Ultra-Deepwater Drillships. Our ultra-deepwater drillships are self-propelled vessels equipped with computer-controlled dynamic-positioning systems, which allow them to maintain position without anchors through the use of their onboard propulsion and station-keeping systems. Drillships have greater variable deck loading capacity than semisubmersible rigs, enabling them to carry more supplies on board and, thus, making them better suited for drilling in deep water in remote locations. Our drillships are equipped with two drilling stations within a single derrick allowing the drillships to perform preparatory activities off-line and potentially simultaneous drilling tasks during certain stages of drilling, subject to legal restrictions in various jurisdictions, enabling increased drilling efficiency particularly during the initial stages of a well. In addition, our drillships are equipped to drill in 12,000-foot water depths, are equipped with 2,500,000 pound hook-load capability, and are capable of drilling HPHT wells to 40,000-foot depths. Each is equipped with two fully redundant blowout preventers, which significantly reduce non-productive time associated with repair and maintenance. In addition, each drillship is equipped with an active-heave crane for simultaneous deployment of subsea equipment. The sum total of these and other advanced features make the drillships very attractive to our customers.

High-Specification and Premium Jack-up Rigs. Our jack-ups are capable of drilling wells to maximum depths ranging from 25,000 to 40,000 feet and in maximum water depths ranging from 300 to 550 feet, depending on rig size and location. All of our high-specification rigs are equipped with the high pressure circulation and pressure control equipment that are necessary for HPHT operations. Each of our jack-ups is designed with a hull that is fully equipped to serve as a drilling platform supported by three independently elevating legs. The rig is towed to the drilling site where the legs are lowered into and penetrate the ocean floor, and the hull raises itself out of the water up to the elevation required to drill the well using a self-contained rack and pinion system.

Our three *N-Class* rigs are capable of drilling well depths up to 35,000 feet in harsh environments such as the North Sea and in maximum water depths of approximately 450 feet depending on location. The *N-Class* rigs, which were designed for operation in the highly regulated Norwegian sector of the North Sea, can be equipped to perform drilling and production operations simultaneously. Our first *N-Class* rig, the *Rowan Viking*, was delivered in 2010, and the *Rowan Stavanger* and *Rowan Norway* were delivered in 2011.

Our four *EXL* class rigs enable HPHT drilling in water depths up to 350 feet and are equipped with a hook-load capacity of two million pounds. The first three *EXL* class rigs were delivered in 2010, and the *Rowan EXL IV* was delivered in 2011.

Our three *240C* class rigs were designed for HPHT drilling in water depths up to 400 feet and are equipped with a hook-load capacity of 2.5 million pounds. The *Rowan Mississippi* and the *Ralph Coffman* were added to the fleet in 2008 and 2009, respectively, and the *Joe Douglas* was added to the fleet in 2011.

Three of our four *Super Gorilla* class rigs were delivered during the period from 1998 to 2002 and are enlarged and enhanced versions of our *Gorilla* class rigs that can be equipped for simultaneous drilling and production operations. They can operate year-round in 400 feet of water in harsh environments such as the North Sea. The *Bob Palmer,* our fourth *Super Gorilla* class rig delivered in 2003, is an enhanced version of the *Super Gorilla* class jack-up designated a *Super Gorilla XL.* With 713 feet of leg, 139 feet more than the *Super Gorillas*, and 30 percent larger spud cans, the *Bob Palmer* can operate in water depths to 550 feet in normally benign environments like the US GOM and the Middle East or in water depths to 400 feet in hostile environments such as the North Sea.

Our four *Tarzan Class* rigs were delivered during the period from 2004 to 2008 and are specifically designed for deep-well, HPHT drilling in up to 300 feet of water in benign environments.

Our three *Gorilla* class rigs, designed in the early 1980s as a heavier-duty class of jack-up rig, are capable of operating in water depths up to 328 feet in hostile environments. The *Rowan Gorilla II* and *III* can drill to well depths of up to 30,000 feet, and the *Rowan Gorilla IV* is equipped to drill to 35,000 feet.

In 2015, we sold the three oldest rigs in our jack-up fleet, the *Rowan Juneau* and *Rowan Alaska* in July and the *Rowan Louisiana* in December. The *Rowan Juneau* and *Rowan Alaska* were sold under agreements that prohibit their future use as drilling units.

See Item 2, “Properties,” for additional information regarding our fleet.

Our operations are subject to many uncertainties and hazards. See Item 1A, “Risk Factors,” for additional information.

Contracts

Our drilling contracts generally provide for a fixed amount of compensation per day (day rate), and are either “well-to-well,” “multiple-well” or "fixed-term" generally ranging from one month to several years. Well-to-well contracts are typically cancellable by either party upon completion of drilling. Fixed-term contracts usually contain a termination provision such that either party may terminate if drilling operations are suspended for extended periods as a result of events of *force majeure.* While many fixed-term contracts are for relatively short periods of three months or less, many others are for one or more years, and all can continue for periods longer than the original terms. Well-to-well contracts can be extended over multiple series of wells. Many drilling contracts contain renewal or extension provisions exercisable at the option of the customer at mutually agreeable rates. Many of our drilling contracts provide for separate lump-sum payments for rig mobilization and demobilization. We recognize lump-sum fees and related expenses over the primary contract term. We recognize reimbursement of certain costs as revenues and expenses at the time they are incurred. Our contracts for work generally provide for payment in United States (U.S.) dollars except for amounts required by applicable law to be paid in the local currency or amounts required to meet local expenses.

A number of factors affect our ability to obtain contracts at profitable rates within a given region. Such factors, which are discussed further under “Competition” and in “Risk Factors” include the global economic climate, the price of oil and gas which can affect our customers' drilling budgets, over- or under-supply of drilling units, location and availability of competitive equipment, the suitability of equipment for the project, comparative operating cost of the equipment, competence of drilling personnel and other competitive factors. Profitability may also depend on receiving adequate compensation for the cost of moving equipment to drilling locations.

During periods of weak demand and declining day rates, we have historically entered into contracts at lower rates in order to keep our rigs working. At times, however, market conditions have forced us to "cold-stack" rigs to reduce costs during extended periods between contracts. During 2015, we cold-stacked three of our jack-up rigs (two in the US GOM and one in Malaysia), which remain cold-stacked.

Our contract backlog was estimated to be approximately $3.6 billion at January 20, 2016, down from approximately $5.1 billion at February 19, 2015. See “Market Outlook” in Management’s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Form 10-K for further information with respect to our backlog.

Competition

The contract drilling industry is highly competitive, and success in obtaining contracts involves many factors, including supply and demand for drilling units, price, rig capability, operating and safety performance, and reputation.

In the jack-up drilling market, we compete with numerous offshore drilling contractors that together have 596 marketed jack-up rigs worldwide as of February 2, 2016, inclusive of 125 units that are under construction or on order. (We define marketed rigs as all rigs that are not cold-stacked.) We estimate that 120 jack-ups, or 20 percent of the world's marketed jack-up fleet, are high-specification, including Rowan's 19 high-specification rigs. At February 2, 2016, there were 340 marketed floaters (drillships and semi-submersibles) worldwide, inclusive of 70 units that are under construction or on order. We estimate that 170 of these floaters, or approximately 50 percent of the world's marketed fleet, are capable of drilling in water depths of 10,000 feet or more, but only an estimated 40 floaters, or approximately 12 percent of the world's marketed fleet, have 2,500,000 pound hook-load capability and are equipped with dual blow-out preventers, which are key specifications valued by our customers.

A significant contributing factor to the softness in the offshore drilling market has been the influx of 214 newbuild jack-ups and 155 newbuild floaters delivered since early 2006. The addition of newbuild units, combined with numerous rigs having rolled off contracts in past months, has continued to increase competition, putting additional downward pressure on day rates and utilization. Of the approximately 125 jack-up rigs under construction worldwide scheduled for delivery through 2020 (38% of the currently utilized jack-up fleet of approximately 328 rigs), approximately 51 are considered high-specification (74% of the delivered high-specification fleet). Currently, there are approximately 82 competitive newbuild jack-up rigs scheduled for delivery during 2016, and only seven have contracts. For the floater market there are approximately 70 floaters under construction worldwide for delivery through 2020 (37% of the currently utilized floater fleet of approximately 188 rigs). Following the negotiated delivery delays on several units into future years, there are approximately 22 competitive newbuild floaters scheduled for delivery during 2016, and nine having contracts.

Based on the number of rigs as tabulated by IHS-Petrodata, we are the eighth largest offshore drilling contractor in the world and the fifth largest jack-up rig operator. Based on the most recent publicly available information, we are the sixth largest publicly traded offshore drilling contractor ranked by revenues. Some of our competitors have greater financial and other resources and may be more able to make technological improvements to existing equipment or replace equipment that becomes obsolete. In addition, those contractors with larger and more diversified drilling fleets may be better positioned to withstand unfavorable market conditions.

We market our drilling services to present and potential customers, including large international energy companies, smaller independent energy companies and foreign government-owned or government-controlled energy companies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this Form 10-K for a discussion of current and anticipated industry conditions and their impact on our operations.

Governmental Regulation

Many aspects of our operations are subject to governmental regulation, including equipping and operating vessels, drilling practices and methods, and taxation. In addition, the U.K., the U.S. and other countries in which we operate have regulations relating to environmental protection and pollution control. We could become liable for damages resulting from pollution of offshore waters in some circumstances, and in certain jurisdictions we must document financial responsibility.

Generally, we are indemnified under our drilling contracts for pollution, well damage and environmental damage, except in certain cases of pollution emanating above the surface of water from spills of pollutants emanating from our drilling rigs. This indemnity includes all costs associated with regaining control of a wild well, removal and disposal of pollutants, environmental remediation and claims by third parties for damages. Such contractual indemnification provisions may not, however, adequately protect us for several reasons such as (i) the contractual indemnity provisions may require us to assume a portion of the liability; (ii) our customers may not have the financial resources necessary to honor the contractual indemnity provisions; and (iii) the contractual indemnity provisions may be unenforceable under applicable law.

Our customers often require us to assume responsibility for pollution damages where we are at fault. We seek to limit our liability exposure to a non-material amount, or an amount within the limits of our available insurance coverage. For example, a contract may provide that we will assume the first $5 million of costs related to an incident resulting in wellbore pollution due to our negligence, with the customer assuming responsibility for all costs in excess of $5 million. We can provide no assurance that we will be able to negotiate indemnities and/or limitation of liability provisions for all of our contracts or that such indemnification and/or limitation of liability provisions can be enforced or will be sufficient. Our customers may challenge the validity or enforceability of the indemnity provision for several reasons, including but not limited to applicable law, judicial decisions, the language of the indemnity provision, reasons of public policy, degree of fault and/or the circumstances resulting in the pollution.

In the event of an incident resulting in wellbore pollution and we are liable for all or a portion of such event, the impact on our financial position, operations and liquidity would depend on the scope of the incident. In this instance, we would seek to enforce our legal rights, including the enforcement of the indemnity obligation and redress from all parties at fault. In addition, we maintain limited insurance for liability related to negative environmental impacts of a sudden and accidental pollution event, as described below. Such an event would adversely affect our results of operations, financial position and cash flows if both insurance and indemnity protection were unavailable or insufficient and the incident was significant.

Pursuant to the Clean Water Act, a National Pollutant Discharge Elimination Permit (NPDES permit) is required for discharges into the US GOM. As a contract driller in the US GOM, we operate in accordance with the NPDES permit regardless of the holder. According to the NPDES permit, the permit holder is the designated responsible party and is thus responsible for any environmental impacts that would occur in the event of the discharge of any unpermitted substance, including a fuel spill or oil leak from an offshore installation such as a mobile drilling unit.

Pursuant to the U.K. Offshore Directive, which went into force in 2015, we are required to have an approved Oil Pollution Emergency Plan (OPEP) for each of our drilling units operating in U.K. waters. The Offshore Directive also specifies additional regulations related to safety, licensing, environmental protection, emergency response and liability with which we comply.

Additionally, pursuant to the International Maritime Organization (IMO), we are required to have a Shipboard Oil Pollution Emergency Plan (SOPEP) for each of our drilling units. Our SOPEP establishes detailed procedures for rapid and effective response to spill events that may occur as a result of our operations or those of the operator. This plan is reviewed annually and updated as necessary. Onboard drills are conducted periodically to maintain effectiveness of the plan, and each rig is outfitted with equipment to respond to minor spills. The drills include participation of key personnel, spill response contractors and representatives of governmental agencies. For operations in the United States, our SOPEPs are subject to review and approval by various organizations including the United States Coast Guard, the EPA and the Bureau of Safety and Environmental Enforcement (BSEE), and are recertified every five years by the American Bureau of Shipping, a Recognized Organization under the IMO.

As the designated responsible party, the operator has the primary responsibility for spill response, including having contractual arrangements in place with emergency spill response organizations to supplement any onboard spill response equipment. Pursuant to our SOPEPs, we have certain resources and supplies onboard our rigs which would be used to mitigate the impact of an incident until an emergency spill response organization could deploy its resources. However, we also have an agreement with an emergency spill response organization should we have an incident that exceeds the scope of our onboard spill response equipment.

Our primary spill response provider has been in business since 1994 and specializes in helping industries prevent and clean up oil and other hydrocarbon spills throughout the Gulf Coast, with response centers in Texas and Louisiana with 24-hour response capabilities and equipment. Our provider has represented it holds all necessary licenses, certifications and permits to respond to environmental emergencies in the US GOM and maintains contacts with other response resources and organization outside the US GOM. Our provider has significant spill response resources to meet the needs of its customers.

We believe we have adequate equipment and resources available to us to respond to an emergency spill; however, we can provide no assurance that adequate resources will be available should multiple concurrent spills occur. Other jurisdictions in which we operate have similar regulations and requirements with which we comply.

We are actively involved in various industry-led initiatives and work groups, including but not limited to those of the American Petroleum Institute, the International Association of Drilling Contractors, the Ocean Energy Safety Institute, and the British Rig Owners Association, which are intended to improve safety and protect the environment.

Oil and gas operations in the US GOM and in many of the international locations in which we operate are subject to regulation with respect to well design, casing and cementing and well control procedures, as well as rules requiring operators to systematically identify risks and establish safeguards against those risks through a comprehensive safety and environmental management system, or SEMS. Any serious oil and gas industry related event heightens governmental and environmental concerns and may lead to legislative proposals being introduced which may materially limit or prohibit offshore drilling in certain areas. New regulations continue to be implemented, including rules regarding drilling systems and equipment, such as blowout preventer and well-control systems and lifesaving systems, as well as rules regarding employee training, engaging personnel in safety management and requiring third-party audits of SEMS programs.

The BSEE has announced proposed regulations to govern multiple aspects of the design, inspection, testing and functionality of blowout preventers. The Blowout Preventer Systems and Well Control Rule began an open comment period on April 15, 2015. BSEE submitted the new rule to the Office of Management and Budget on January 29, 2016, for review prior to publication in the Federal Register. Such new regulations may require modifications or enhancements to existing systems and equipment or require new equipment and could increase our operating costs and cause downtime for our offshore drilling units if we are required to take any of them out of service between scheduled surveys or inspections, or if we are required to extend scheduled surveys or inspections to meet any such new requirements. Additional governmental regulations concerning licensing, taxation, equipment specifications, training requirements or other matters could increase the costs of our operations and could reduce exploration activity in the areas in which we operate.

Except as discussed above, we do not believe regulatory compliance has materially affected our capital expenditures, earnings or competitive position to date, although such measures increase drilling costs and may adversely affect drilling operations. Further regulations may reasonably be anticipated, but any effects on our drilling operations cannot be accurately predicted at this time.

We operate in areas where regulatory requirements govern the protection of employee occupational health and working environments.

In addition to regulations that directly affect our operations, regulations associated with the production and transportation of oil and gas affect our customers and thereby could potentially impact demand for our services.

Insurance

We maintain insurance coverage for damage to our drilling rigs, third-party liability, workers' compensation and employers' liability, sudden and accidental pollution and other types of loss or damage. Our insurance coverage is subject to deductibles and self-insured retentions which must be met prior to any recovery. Additionally, our insurance is subject to exclusions and limitations, and we can provide no assurance that such coverage will adequately protect us against liability from all potential consequences and damages.

Our current insurance policies provide coverage for loss or damage to our fleet of drilling rigs on an agreed value basis (which varies by unit) subject to a deductible of either $25 million or $15 million per occurrence, depending on the unit's geographic location. This coverage does not include damage to our rigs arising from a US GOM named windstorm, for which we are self-insured.

We maintain insurance policies providing limited coverage for liability associated with negative environmental impacts of a sudden and accidental pollution event, third-party liability, employers' liability (including Jones Act liability) and automobile liability, and these policies are subject to various exclusions, deductibles and underlying limits. In addition, we maintain excess liability coverage with an annual aggregate limit of $700 million subject to a self-insured retention of $10 million except for liabilities (including removal of wreck) arising out of a US GOM named windstorm, which are subject to a self-insured retention of $200 million.

Our rig physical damage and liability insurance renews each June. We can provide no assurance we will be able to secure coverage of a similar nature with similar limits at comparable costs.

Employees

At December 31, 2015, we had 3,496 employees worldwide, compared to 4,051 and 3,499 at December 31, 2014 and 2013, respectively. Certain of our employees and contractors in international markets, such as Trinidad and Norway, are represented by labor unions and work under collective bargaining or similar agreements, which are subject to periodic renegotiation. We consider relations with our employees to be satisfactory.

Customers

In 2015, Saudi Aramco, ConocoPhillips and Anadarko accounted for 19%, 13%, and 10%, respectively, of consolidated revenues.

Reports filed with or furnished to the SEC

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) are made available free of charge on our website at *www.rowan.com* as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on or accessible from our website is not incorporated by reference into this Form 10-K and should not be considered a part of this report or any other filing that we make with the SEC.

ITEM 1A. *RISK FACTORS*

You should consider carefully the following risk factors, in addition to the other information contained and incorporated by reference in this Form 10-K, before deciding to invest in our equity or debt securities.

Our business depends solely on the level of activity in the offshore oil and gas industry. Adverse developments affecting the industry, including declines in oil or gas prices and reduced demand for oil and gas products, have an adverse effect on our business, financial condition and results of operations.

Demand for drilling services depends heavily on a variety of economic and political factors and the level of oil and gas activity worldwide. Sustained declines in oil or natural gas prices such as we have been experiencing since mid-2014, combined with market expectations of a prolonged weakened global market, have caused oil and gas companies to significantly reduce their exploration, development and production activities, thereby decreasing demand for offshore drilling services and leading to lower rig utilization and day rates for our services. Oil and natural gas prices have historically been very volatile, and our drilling operations have in the past suffered through long periods of weak market conditions.

Demand for our drilling services depends on many factors beyond our control, including:

- worldwide demand for and prices of oil and natural gas, and expectations regarding future energy prices;
- the supply of drilling units in the worldwide fleet versus demand;
- the level of exploration and development expenditures by energy companies and the ability to raise capital;
- the willingness and ability of the Organization of Petroleum Exporting Countries (OPEC) to limit production levels and influence prices;
- the level of production in non-OPEC countries;
- the effect of economic sanctions that affect the energy industry;
- the general economy, including inflation and changes in the rate of economic growth;
- the condition of global capital markets;
- adverse sea, weather and climate conditions in our principal operating areas, including possible disruption of exploration and development activities due to loop currents, hurricanes and other severe sea and weather conditions;
- the cost of exploring for, developing, producing and delivering oil and natural gas;
- environmental and other laws and regulations;
- policies of various governments regarding exploration and development of oil and natural gas reserves;
- nationalization and/or confiscation;
- worldwide tax policies;
- political and military conflicts in oil-producing areas and the effects of terrorism;
- increased supply of oil and gas from onshore hydraulic fracturing and shale development and relative cost of offshore drilling versus onshore oil and gas production;
- the development and exploitation of alternative fuels and energy sources, and
- merger, divestiture, restructuring and consolidation of our customers and competitors and their assets.

Adverse developments affecting the industry as a result of one or more of these factors, including a decline in oil or gas prices (such as the decline since mid-2014, any further decline, or the failure of oil or gas prices to recover from their current levels), a global recession, continued declines in demand for oil and gas products, increased oversupply of drilling units, and increased regulation of drilling and production, would adversely affect our business, financial condition and results of operations.

The success of our business is dependent upon our ability to secure contracts for our drilling units at sufficient day rates. Depressed oil and gas prices and an oversupply of drilling units have led to further reductions in rig utilization and day rates, which may materially impact our profitability.

Our ability to meet our cash flow obligations depends on our ability to secure ongoing work for our drilling units at sufficient day rates. As of January 20, 2016, we had nine jack-up drilling units without contracts (including three cold-stacked); six with contract terms ending in 2016; four with contract terms ending in 2017; seven with contract terms ending in 2018; and one with a contract term ending in 2024. Three of our drillships have contracts ending in 2017 and one ends in early 2018. Given current market conditions, it is likely that future demand for offshore drilling units and day rates will continue to decline for an extended period of time. Failure to secure profitable contracts for our drilling units could negatively impact our operating results and financial position, impair our ability to generate sufficient cash flow to fund our capital expenditures and/or meet our other obligations.

Prior to the recent downturn in the drilling sector, the industry experienced a significant increase in construction activity. This increase in supply of newbuild drilling units, combined with the decrease in demand for offshore drilling services, has resulted in an oversupply of drilling units and a resulting decline in utilization and day rates that is expected to continue for an extended period of time. According to industry sources, there were 596 marketed jack-up rigs worldwide as of February 2, 2016, inclusive of 125 units that are under construction or on order and 340 marketed floaters (drillships and semi-submersible) worldwide, inclusive of 70 units that are under construction or on order. (We define marketed rigs as all rigs that are not cold-stacked.) A continued decline in utilization and day rates would further impact our revenues and profitability.

A further decline in the market for contract drilling services could result in additional asset impairment charges.

We recognized asset impairment charges on our jack-up drilling units aggregating approximately $566 million in 2014 and $330 million in 2015, or approximately 7% and 4%, respectively, of our fixed asset carrying values. Prolonged periods of low utilization and day rates, the cold-stacking of idle assets, or the sale of assets below their then carrying value could result in the recognition of additional impairment charges on our drilling units if future cash flow estimates, based upon information available to management at the time, indicate that their carrying value may not be recoverable. See “Impairment of Long-lived Assets” in Note 2 of Notes to Consolidated Financial Statements in Item 8 of this Form 10-K for additional information.

We are subject to operating risks that could result in environmental damage, property loss, personal injury, death, business interruptions and other losses.

Our drilling operations are subject to many operational hazards such as blowouts, explosions, fires, collisions, punch-throughs (i.e., when one leg of a jack-up rig breaks through the hard crust of the ocean floor, placing stress on the other legs), mechanical or technological failures, navigation errors, or equipment defects that could increase the likelihood of accidents. Accidents can result in:

- serious damage to or destruction of property and equipment;
- personal injury or death;
- costly delays or cancellations of drilling operations;
- interruption or cessation of day rate revenue;
- uncompensated downtime;
- reduced day rates;
- significant impairment of producing wells, leased properties, pipelines or underground geological formations;
- damage to fisheries and pollution of the marine and coastal environment; and
- fines and penalties.

Our drilling operations are also subject to marine hazards, whether at drilling sites or while equipment is under tow, such as a vessel capsizing, sinking, colliding or grounding. In addition, raising and lowering jack-up rigs and drilling into high-pressure formations are complex, hazardous activities, and we periodically encounter problems. Any ongoing change in weather or sea patterns or climate conditions could increase the adverse impact of marine hazards.

In past years, we have experienced some of the types of incidents described above, including punch-throughs and towing accidents resulting in lost or damaged equipment and high-pressure drilling accidents resulting in lost or damaged formations. Any future such events could result in operating losses and have a significant impact on our business.

The global nature of our operations involves additional risks, particularly in certain foreign jurisdictions.

Our operations are significantly diversified internationally. Foreign operations are often subject to additional political, economic and other uncertainties, such as with respect to taxation policies, customs restrictions, local content requirements, regulatory requirements, currency convertibility and repatriation, security threats including terrorism, piracy, and the risk of asset expropriation. Political unrest and regulatory restrictions could halt operations or impact us in other unforeseen ways. There have been recent political discussions regarding the possibility of the United Kingdom exiting the European Union. Should that occur, our business and operations in the UK and elsewhere could be impacted.

Many countries have regulations or policies requiring or rewarding the participation of local companies and individuals in the petroleum-related activities. Such participation requirements can include, without limitation, the ownership of oil and gas concessions, the hiring of local agents and partners, the procurement of goods and services from local sources, and the employment of local workers. The requirements can also include ownership of our drilling units, in whole or in part, by home country companies or citizens and /or require reflagging of our drilling units under the flag of the home country. The governments of many of these foreign countries have become increasingly active in requiring higher levels of local participation which may increase our costs and risks of operating in these regions, thereby limiting our ability to enter into, relocate from, or compete in these regions.

In addition, our inability to obtain visas and work permits for our employees in foreign jurisdictions on a timely basis could delay or interrupt our operations resulting in an adverse impact on our business. Further, governmental restrictions in some jurisdictions may make it difficult for us to move our personnel, assets and operations in and out of these regions without delays or downtime.

In foreign areas where legal protections may be less available to us, we assume greater risk that our customer may terminate contracts without cause on short notice, contractually or by governmental action. Additionally, operations in certain areas, such as the North Sea and US GOM, are highly regulated and have higher compliance and operating costs in general.

Although we are a U.K. company, a significant majority of our revenues and expenses are transacted in U.S. dollars, which is our functional currency. However, in certain countries in which we operate, local laws or contracts may require us to receive some portion of payment in the local currency. We are exposed to foreign currency exchange risk to the extent the amount of our monetary assets denominated in the foreign currency differs from our obligations in that foreign currency. In order to mitigate the effect of exchange rate risk, we attempt to limit foreign currency holdings to the extent they are needed to pay liabilities denominated in the foreign currency. At December 31, 2015, we held Egyptian pounds in the amount of $13.5 million. We ceased drilling operations in Egypt in 2014, and are currently working to obtain access to the funds for use outside Egypt to the extent they are not utilized; however, we can provide no assurance we will be able to convert or utilize such funds in the future.

The offshore drilling industry is highly competitive and cyclical, with intense price competition.

The offshore contract drilling industry is a highly competitive and cyclical business characterized by numerous competitors, high capital and operating costs and evolving capability of newer rigs. Drilling contracts are often awarded on a competitive-bid basis, and intense price competition, rig availability, location and suitability, experience of the workforce, efficiency, safety performance record, technical capability and condition of equipment, operating integrity, reputation, industry standing and client relations are all factors in determining which contractor is awarded a contract. Our future success and profitability will partly depend upon our ability to keep pace with our customers' demands with respect to these factors.

In addition to intense competition, our industry has historically been cyclical. The contract drilling industry is currently in a period of low demand for drilling services, excess rig supply, a prolonged period of declining oil and gas prices and reduced worldwide drilling activity. These conditions have intensified the competition in the industry and put downward pressure on day rates. As a result, we may be unable to secure profitable contracts for our drilling units, we may have to contract our rigs at substantially lower rates for long periods of time, enter into nontraditional fee arrangements, or idle or cold-stack some of our drilling units, all of which would adversely affect our operating results, cash flows and financial position.

We will experience reduced profitability if our customers terminate or seek to renegotiate our drilling contracts, and our backlog of contracts may not be ultimately realized.

We may be subject to the increased risk of our customers seeking to terminate or renegotiate their contracts. Our customers' ability to perform their obligations under drilling contracts with us may also be adversely affected by their own financial position, restricted credit markets and the current industry downturn. If our customers cancel or are unable to renew some of their contracts and we are unable to secure new contracts on a timely basis and on substantially similar terms, if contracts are disputed or suspended for an extended period of time, or if a number of our contracts are renegotiated, such events would adversely affect our business, financial condition and results of operations.

Most of our term drilling contracts are cancelable by the customer without penalty upon the occurrence of events beyond our control such as the loss or destruction of the drilling unit, or the suspension of drilling operations for a specified period of time as a result of a breakdown of major equipment. While most of our contracts require the customer to pay a termination fee in the event of an early cancellation without cause, early termination payments will not fully compensate us for the loss of the contract, and could result in the drilling unit becoming idle or cold-stacked for an extended period of time. If we or our customers are unable to perform under existing contracts for any reason or replace terminated contracts with new contracts having less favorable terms, our backlog of estimated revenues would decline, adversely affecting our financial results.

We must make substantial capital and operating expenditures to build, maintain, and upgrade our drilling fleet.

Our business is highly capital intensive and dependent on having sufficient cash flow and or available sources of financing in order to fund our capital expenditure requirements. We can provide no assurance that we will have access to adequate or economical sources of capital to fund our capital expenditures.

We have and will likely continue to have certain customer concentrations, and the loss of a significant customer would adversely impact our financial results.

A concentration of customers increases the risks associated with any possible (i) termination or nonperformance of drilling contracts, (ii) failure to renew contracts or award new contracts, or (iii) reduction of our customers' drilling programs. In 2015, Saudi Aramco, ConocoPhillips, and Anadarko accounted for 19%, 13% and 10%, respectively, of our consolidated revenues. The loss or material reduction of business from a significant customer would have an adverse impact on our results of operations and cash flows. Moreover, to the extent that we may be heavily dependent on any single customer, we could be subject to the risks faced by that customer to the extent that such risks impede the customer's ability to continue operating and make timely payments to us. In addition, due to the high day rate and longer-term nature of our drillship contracts, a loss of any of our drillship customers would adversely affect our results of operations and cash flows.

Construction upgrades, enhancements, conversions, mobilizations and repairs of rigs and drillships are subject to risks, including delays and cost overruns, which could have an adverse impact on our financial position, results of operations and cash flows.

From time to time as our drilling units age, we may be required to make significant upgrade, refurbishment or repair expenditures for our fleet or undertake new construction projects. Mobilization of existing units and initial operations of new drilling units often result in delays and other complications that could result in significant unexpected costs, uncompensated downtime, reduced day rates or the cancellation or termination of drilling contracts. Further, we may be required to pay up front for our own mobilization or upgrade costs in order to obtain a contract on a drilling unit. Some of the costs associated with upgrades, enhancements, conversions, mobilizations and repairs of drilling units could be unplanned and are subject to risks of cost overruns or delays as a result of numerous factors, including the following:

- shipyard unavailability;
- shortages of equipment, materials or skilled labor for completion of repairs or upgrades to our equipment;
- unscheduled delays in the delivery or cost increases of materials and equipment or in shipyard construction;
- failure of equipment to meet, design, quality or performance standards;
- loss of or damage to essential equipment while in transit;
- financial or operating difficulties experienced by equipment vendors or the shipyard;

- unanticipated actual or purported change orders;
- local customs strikes or related work slowdowns that could delay importation of equipment or materials;
- engineering problems, including those relating to the commissioning of newly designed equipment;
- design or engineering changes;
- latent damages or deterioration to the hull, equipment and machinery in excess of engineering estimates and assumptions;
- work stoppages;
- client acceptance delays;
- weather interference, storm damage or other events of *force majeure;*
- disputes with shipyards and suppliers;
- inability or unwillingness of shipyards and suppliers to honor warranty obligations;
- long lead-times for replacement of equipment;
- shipyard failures and difficulties;
- failure of third-party equipment vendors or service providers;
- unanticipated cost increases, including relating to raw materials used in construction of our drilling units; and
- difficulty in obtaining necessary permits or approvals or in meeting permit or approval conditions.

These factors may contribute to cost variations or delays. Such delays may, in some circumstances, result in a delay in contract commencement, resulting in a loss of revenue to us or payment for liquidated damages, and may also cause customers to renegotiate, terminate or shorten the term of a drilling contract pursuant to applicable late delivery clauses. In the event of termination of a contract, we may not be able to secure a replacement contract on as favorable terms or at all. Additionally, unexpected capital expenditures for upgrades, refurbishment and construction projects could materially exceed our planned capital expenditures. Moreover, our drilling units that may undergo upgrade, refurbishment or repair may not earn a day rate during the periods they are out of service. Furthermore, the inability or unwillingness of shipyards and suppliers to honor warranty obligations may result in additional costs to us. The occurrence of any of these events would adversely affect our results of operations, financial position or cash flows.

If we or our customers are unable to acquire or renew permits and approvals required for drilling operations, we may be forced to suspend or cease our operations, and our profitability may be reduced.

Crude oil and natural gas exploration and production operations require numerous permits and approvals for us and our customers from governmental agencies in the areas in which we operate. In addition, many governmental agencies have increased regulatory oversight and permitting requirements in recent years. If we or our customers are not able to obtain necessary permits and approvals in a timely manner, our operations will be adversely affected. Obtaining all necessary permits and approvals may necessitate substantial expenditures to comply with the requirements of these permits and approvals, future changes to these permits or approvals, or any adverse change in the interpretation of existing permits and approvals. In addition, such regulatory requirements and restrictions could also delay or curtail our operations, require us to make substantial expenditures to meet compliance requirements, and could have a significant impact on our financial condition or results of operations and may create a risk of expensive delays or loss of value if a project is unable to function as planned.

For example, the Bureau of Ocean Energy Management and the Bureau of Safety and Environmental Enforcement, have implemented significant environmental and safety regulations applicable to drilling operations in the US GOM. These regulations have at times adversely impacted the ability of our customers to obtain necessary permits and approval on a timely basis and/or to continue operations uninterrupted under existing permits.

Increases in regulatory requirements could significantly increase our costs or delay our operations.

Many aspects of our operations are subject to governmental regulation, including equipping and operating vessels, drilling practices and methods, and taxation. For example, operations in certain areas, such as the US GOM and the North Sea, are highly regulated and have higher compliance and operating costs in general. We may be required to make significant expenditures in order to comply with existing or new governmental laws and regulations. It is also possible that such laws and regulations may in the future add significantly to our operating costs or result in a reduction of revenues associated with downtime required to implement regulatory requirements.

Oil and gas operations in the US GOM and in many of the international locations in which we operate are subject to regulation with respect to well design, casing and cementing and well control procedures, as well as rules requiring operators to systematically identify risks and establish safeguards against those risks through a comprehensive safety and environmental management system, or SEMS. New regulations continue to be implemented, including rules regarding drilling systems and equipment, such as blowout preventer and well-control systems and lifesaving systems, as well as rules regarding employee training, engaging personnel in safety management and requiring third-party audits of SEMS programs. Such new regulations may require modifications or enhancements to existing systems and equipment, or require new equipment, and could increase our operating costs and cause downtime for our units if we are required to take any of them out of service between scheduled surveys or inspections, or if we are required to extend scheduled surveys or inspections to meet any such new requirements. Additional governmental regulations concerning licensing, taxation, equipment specifications, training requirements or other matters could increase the costs of our operations and could reduce exploration activity in the areas in which we operate.

Governments in some countries are increasingly active in regulating and controlling the ownership of concessions, the exploration for oil and gas, and other aspects of the oil and gas industry. These governmental regulations may limit or substantially increase the cost of drilling activity in an operating area generally. The modification of existing laws or regulations or the adoption of new laws or regulations curtailing exploratory or developmental drilling for oil and gas for economic, environmental or other reasons could materially and adversely affect our operations by limiting drilling opportunities.

Governments around the world are beginning to adopt laws and regulations regarding climate change. Lawmakers and regulators in the U.S., the U.K. and other jurisdictions where we operate have focused increasingly on restricting and reporting the emission of carbon dioxide, methane and other "greenhouse" gases that may contribute to warming of the Earth's atmosphere and other climatic changes. This may result in new environmental regulations that may unfavorably impact us, our suppliers and our customers. We may be exposed to risks related to new laws, regulations, treaties or international agreements pertaining to climate change, greenhouse gases, carbon emissions or energy use that could decrease the use of oil or natural gas, thus reducing demand for hydrocarbon-based fuel and our drilling services. Governments may also pass laws or regulations incentivizing or mandating the use of alternative energy sources such as wind power and solar energy, which may reduce demand for oil and natural gas and our drilling services. Such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on our business, and could adversely affect our operations by limiting drilling opportunities.

In addition, the offshore drilling industry is highly dependent on demand for services from the oil and gas industry and accordingly, regulations of the production and transportation of oil and gas generally could impact demand for our services.

Our drilling units are subject to damage or destruction by severe weather, and our drilling operations may be affected by severe weather conditions.

Our drilling rigs are located in areas that frequently experience hurricanes and other forms of severe weather conditions. These conditions can cause damage or destruction to our drilling units. Further, high winds and turbulent seas can cause us to suspend operations on drilling units for significant periods of time. Even if our drilling units are not damaged or lost due to severe weather, we may experience disruptions in our operations due to evacuations, reduced ability to transport personnel to the drilling unit, or damage to our customers' platforms and other related facilities. Additionally, our customers may not choose to contract our rigs for use during hurricane season, particularly in the US GOM. Future severe weather could result in the loss or damage to our rigs or curtailment of our operations, which could adversely affect our financial position, results of operations and cash flows.

Taxing authorities may challenge our tax positions, and we may not be able to realize expected benefits.

Current tax laws and regulations in many jurisdictions and treaties among various countries are currently under review or negotiation. Changes to these laws or interpretations could affect the taxes we pay in various jurisdictions. Our tax positions are subject to audit by relevant tax authorities who may disagree with our interpretations or assessments of the effects of tax laws, treaties, or regulations, or their applicability to our corporate structure or certain of our transactions we have undertaken. We could therefore incur material amounts of unrecorded income tax cost if our positions are challenged and we are unsuccessful in defending them.

Changes in or non-compliance with tax laws and changes to our income tax estimates could adversely impact our financial results.

In 2012, we changed our legal domicile to the U.K. There are legislative proposals in the U.S. that attempt to treat companies that have undertaken similar transactions as U.S. corporations subject to U.S. taxes or to limit the tax deductions or tax credits available to U.S. subsidiaries of these corporations. The realization of the expected tax benefits of our redomestication could be impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof or differing interpretation or enforcement of applicable law by the IRS or other tax authorities. Changes in our effective tax rates as determined from time to time, the inability to realize anticipated tax benefits, or the imposition of additional taxes could have a material impact on our results of operations, financial position and cash flows. Our future effective tax rates could be adversely affected by changes in the valuation of our deferred tax assets and liabilities, the ultimate repatriation of earnings from the non-U.S. subsidiaries of Rowan Companies Inc. (RCI), a wholly owned, indirect subsidiary of the Company, to RCI, or by changes in applicable regulations and accounting principles.

Changes in our recorded tax estimates (including estimated reserves for uncertain tax positions) may have a material impact on our results of operations, financial position and cash flows. We do not provide for deferred income taxes on undistributed earnings of our non-U.K. subsidiaries, including RCI's non-U.S. subsidiaries. It is our policy and intention to permanently reinvest earnings of non-U.S. subsidiaries of RCI outside the U.S. Should the non-U.S. subsidiaries of RCI make a distribution from these earnings, we may be subject to additional U.S. income taxes.

Political disturbances, war, or terrorist attacks and changes in global trade policies and economic sanctions could adversely impact our operations.

Our operations are subject to political and economic risks and uncertainties, including instability resulting from civil unrest, political demonstrations, mass strikes, or an escalation or additional outbreak of armed hostilities or other crises in oil or natural gas producing areas, which may result in extended business interruptions, suspended operations and danger to our employees, or result in claims by our customers of a *force majeure* situation and payment disputes. Additionally, we are subject to risks of terrorism, piracy, political instability, hostilities, expropriation, confiscation or deprivation of our assets or military action impacting our operations, assets or financial performance in many of our areas of operations.

Operating and maintenance costs of our drilling units may be significant, and could have an adverse effect on the profitability of our contracts. In addition, operational interruptions or maintenance or repair work may cause our customers to suspend or reduce payment of day rates until operation is resumed, which may lead to loss of revenue or termination or renegotiation of the drilling contract.

Most of our drilling contracts provide for the payment of a fixed day rate during periods of operation and reduced day rates during periods of other activities. Given current market conditions, we may not be able to negotiate day rates sufficient to cover increased or unanticipated costs. Our operating expenses and maintenance costs can be unpredictable, and depend on a variety of factors including: crew costs, costs of provisions, equipment, insurance, maintenance and repairs, customer and regulatory requirements, and shipyard costs, many of which are beyond our control. Our profit margins may therefore vary over the terms of our contracts, which could adversely affect our financial position, results of operations and cash flows.

Our customers may be entitled to pay a waiting, or standby, rate lower than the full operational day rate if a drilling unit is idle for reasons that are not related to the ability of the rig to operate. In addition, if a drilling unit is taken out of service for maintenance and repair for a period of time exceeding the scheduled maintenance periods set forth in the drilling contract, we may not be entitled to payment of day rates until the unit is able to work. If the interruption of operations were to exceed a determined period, our customers may have the right to pay a rate that is significantly lower than the waiting rate for a period of time, and, thereafter, may terminate the drilling contracts related to the subject rig. Suspension of drilling contract payments, prolonged payment of reduced rates or termination of any drilling contract as a result of an interruption of operations could materially adversely affect our business, financial condition and results of operations.

Our rig operating and maintenance costs include fixed costs that will not decline in proportion to decreases in rig utilization and day rates.

We do not expect our rig operating and maintenance costs to decline proportionately when rigs are not in service or when day rates decline. Fixed costs continue to accrue during out-of-service periods (such as shipyard stays and rig mobilizations preceding a contract), which represented approximately 2.7% of our available rig days in 2015. Operating revenue may fluctuate as rigs are recontracted at prevailing market rates upon termination of a contract, but costs for operating a rig are generally fixed or only slightly variable regardless of the day rate being earned. Additionally, if our rigs are idle between contracts, we typically continue to incur operating and personnel costs because the crew is retained to prepare the rig for its next contract. During times of reduced activity, reductions in costs may not be immediate as some crew members may be required to assist in the rig's removal from service. Moreover, as our rigs are mobilized from one geographic location to another, the labor and other operating and maintenance costs may increase significantly.

Supplier capacity constraints or shortages in parts or equipment, supplier production disruptions, supplier quality and sourcing issues or price increases could increase our operating costs, decrease our revenues and adversely impact our operations.

Our reliance on third-party suppliers, manufacturers and service providers to secure equipment used in our drilling operations exposes us to volatility in the quality, price and availability of such items. Certain specialized parts and equipment we use in our operations may be available only from a single or small number of suppliers. A disruption in the deliveries from such third-party suppliers, capacity constraints, production disruptions, price increases, defects or quality-control issues, recalls or other decreased availability or servicing of parts and equipment could adversely affect our ability to meet our commitments to customers, adversely impact our operations and revenues by resulting in uncompensated downtime, reduced day rates or the cancellation or termination of contracts, or increase our operating costs.

We may have difficulty obtaining or maintaining insurance in the future, and some of our losses may not be covered by insurance.

We maintain insurance coverage for damage to our drilling rigs, third-party liability, workers' compensation and employers' liability, sudden and accidental pollution, and other types of loss or damage. There are some losses, however, for which insurance may not be available or only available at much higher prices. For example, we do not currently maintain named windstorm physical damage coverage on any of our drilling units located in the US GOM.

Our insurance coverage is subject to deductibles and self-insured retentions which must be met prior to any recovery. Additionally, our insurance is subject to exclusions and limitations.

Our insurance program provides coverage for loss or damage to our drilling units on an agreed value basis (which varies by unit) subject to a deductible of $25 million per occurrence. This coverage does not include damage arising from a US GOM named windstorm, for which we are self-insured.

We also maintain insurance policies providing coverage for liability associated with negative environmental impacts of a sudden and accidental pollution event, third-party liability, employers' liability (including Jones Act liability), and automobile liability. These policies are also subject to various exclusions, deductibles and underlying limits. We maintain excess liability coverage with an annual aggregate limit of $700 million subject to a self-insured retention of $10 million, except for liabilities (including removal of wreck) arising out of US GOM named windstorms, which are subject to a self-insured retention of $200 million per occurrence.

We can provide no assurance that our insurance coverage will adequately protect us against liability from potential consequences and damages, or that we will be able to maintain adequate insurance in the future. A significant event which is not adequately covered by insurance and /or the failure of one or more of our insurance providers to meet claim obligations or losses or liabilities resulting from uninsured or underinsured events could adversely affect our financial position, results of operations and cash flows.

Our contractual indemnification provisions may not be sufficient to cover our liabilities.

Our drilling contracts provide for varying levels of indemnification and allocation of liabilities between our customers and us with respect to liabilities resulting from various hazards associated with the drilling industry, such as loss of well control, well-bore pollution and damage to subsurface reservoirs and injury or death to personnel. The degree of indemnification we receive from operators against liabilities varies from contract to contract based on market conditions and customer requirements existing when the contract was negotiated. Our drilling contracts generally indemnify us for injuries and death of our customers' employees and loss or damage to our customers' property. Our service agreements generally indemnify us for injuries and death of our service providers' employees. However, the enforceability of our indemnities may be subject to differing interpretations, or further limited or prohibited under applicable law or by contract, particularly in cases of gross negligence, willful misconduct, punitive damages or punitive fines and/or penalties. For example, in 2012 a U.S. District Court in the Eastern District of Louisiana invalidated certain contractual indemnities for punitive damages and for civil penalties in a drilling contract governed by U.S. maritime law as a matter of public policy. We could therefore be liable for certain liabilities even in cases where we have contractual indemnification rights. Notwithstanding a contractual indemnity from a customer, there can be no assurance that our customers will be financially able to indemnify us or will otherwise honor their contractual indemnity obligations. The failure of a customer to meet its indemnification obligations, or losses or liabilities resulting from events excluded from or unenforceable under contractual indemnification obligations would adversely affect our financial position, results of operations and cash flows.

Failure to retain highly skilled personnel could hurt our operations.

We require highly skilled and experienced personnel to operate our rigs and provide technical services and support for our operations. In the past, during periods of high demand for drilling services and increasing worldwide industry fleet size, shortages of qualified personnel have occurred. Such shortages could result in our loss of qualified personnel to competitors, impair the timeliness and quality of our work and create upward pressure on costs. If we are unable to retain or train skilled personnel, our operations and quality of service could be adversely impacted.

We are involved in litigation and legal proceedings from time to time that could have a negative effect on us if determined adversely.

We are, from time to time, involved in various legal proceedings, which may include, among other things, contract disputes, personal injury, environmental, toxic tort, employment, tax and securities litigation, governmental investigations or proceedings, and litigation that arises in the ordinary course of our business. Although we intend to defend any of these matters vigorously, we cannot predict with certainty the outcome or effect of any claim or other litigation matter. Our profitability may be adversely affected by the outcome of claims or contract disputes, including any inability to collect receivables or resolve significant contractual or day rate disputes, and any purported nullification, cancellation or breach of contracts with customers or other parties. Litigation may have an adverse effect on us because of potential negative outcomes, the costs associated with defending the lawsuits, the diversion of resources, reputational damage, and other factors.

Our ability to access the credit and debt capital markets may be restricted. We may experience a downgrade in our credit ratings.

Our ability to maintain a sufficient level of liquidity to meet our financial and operating needs is dependent upon our future performance, operating cash flows, and our access to credit and debt capital markets. In turn, our level of liquidity and access to credit and debt capital markets depends on general economic conditions, industry cycles, financial, business and other factors affecting our operations, as well as our credit ratings. Tightening in the credit markets due to the current economic environment and concerns about the offshore drilling industry may restrict our access to the credit and debt capital markets and increase the cost of such indebtedness. Our future cash flows and access to capital may be insufficient to meet all of our capital requirements, debt obligations and contractual commitments, and any insufficiency could have an adverse impact on our business.

Credit rating agencies may also downgrade our credit ratings to non-investment grade levels at any time. A downgrade in our ratings below investment grade could have adverse consequences on our business and future prospects, including the following:

- Restrict our ability to access credit and debt capital markets;
- Cause us to refinance or issue debt with less favorable terms and conditions;
- Pay increased fees under our debt agreements;
- Negatively impact current and prospective customers' willingness to transact business with us;
- Impose additional insurance, guarantee and collateral requirements; or
- Limit our access to bank and third-party guarantees, surety bonds and letters of credit.

We depend heavily upon the security and reliability of our technology systems and those of our service providers, and such systems are subject to cybersecurity risks and threats.

We depend heavily on technologies, systems and networks that we manage, and others that are managed by our third-party service and equipment providers, to conduct our business and operations. Cybersecurity risks and threats to such systems continue to grow in sophisticated ways that avoid detection and may be difficult to anticipate, prevent or mitigate. If any of our or our service or equipment providers' security systems for protecting against cybersecurity breaches or failures prove to be insufficient, we could be adversely affected by having our business and financial systems compromised, our companies', employees', vendors' or customers' confidential or proprietary information altered, lost or stolen, or our (or our customers') business operations or safety procedures disrupted, degraded or damaged. A breach or failure could also result in injury (financial or otherwise) to people, loss of control of, or damage to, our (or our customers') assets, harm to the environment, reputational damage, breaches of laws or regulations, litigation and other legal liabilities. In addition, we may incur significant costs to prevent, respond to or mitigate cybersecurity risks or events and to defend against any investigations, litigation or other proceedings that may follow such events. Such a failure or breach of our systems could adversely and materially impact our business operations, financial position, results of operations and cash flows.

Technology disputes could negatively impact our operations or increase our costs.

Drilling rigs use proprietary technology and equipment which can involve potential infringement of a third party's rights, including patent rights. The majority of the intellectual property rights relating to our jack-ups and drillships are owned by us or our suppliers or sub-suppliers, however, in the event that we or one of our suppliers or sub-suppliers becomes involved in a dispute over infringement rights relating to equipment owned or used by us, we may lose access to repair services or replacement parts, or we could be required to cease use of some equipment or forced to modify our jack-ups or drillships. We could also be required to pay license fees or royalties for the use of equipment. Technology disputes involving us or our suppliers or sub-suppliers could adversely affect our financial results and operations.

Transocean holds U.S. and other patents for dual activity drilling equipment and has pursued litigation against several other offshore drilling contractors. Transocean could choose to sue us or our customers for infringing its patents if it believes that we are using technology covered by its patent on our drillships, and we could be forced to modify our drillships and/or pay royalties to Transocean in the event that a Court were to find that any Transocean patents are infringed.

Failure to comply with anti-corruption and anti-bribery laws could result in fines, criminal penalties and drilling contract terminations and could have an adverse impact on our business.

The U.S. Foreign Corrupt Practices Act (FCPA), the U.K. Bribery Act 2010 (UK Bribery Act) and similar laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. We have operated and may in the future operate in parts of the world where strict compliance with anti-corruption and anti-bribery laws may conflict with local customs and practices. Any failure to comply with the FCPA, UK Bribery Act, or other anti-corruption laws due to our own acts or omissions or the acts or omissions of others, including our partners, agents or vendors, could subject us to civil and criminal penalties or other sanctions, which would adversely affect our business, financial position, results of operations or cash flows. We could also face fines, sanctions and other penalties from authorities in the relevant foreign jurisdictions, including prohibition of our participation in or curtailment of business operations in those jurisdictions and the seizure of drilling units or other assets.

Unionization efforts and labor regulations in certain countries in which we operate could materially increase our costs or limit our flexibility.

Certain of our employees and contractors in international markets such as Trinidad and Norway are represented by labor unions and work under collective bargaining or similar agreements, which are subject to periodic renegotiation. Further, efforts may be made from time to time to unionize other portions of our workforce. In addition, we have experienced, and in the future may experience, strikes or work stoppages and other labor disruptions. Additional unionization efforts, new collective bargaining agreements or work stoppages could materially increase our costs, reduce our revenues or limit our operations.

The enforcement of civil liabilities against Rowan plc may be more difficult.

Because Rowan plc is a public limited company incorporated under English law, investors could experience more difficulty enforcing judgments obtained against Rowan plc in U.S. courts than would be the case for U.S. judgments obtained against a U.S. company. In addition, it may be more difficult to bring some types of claims against Rowan plc in courts in the U.K. than it would be to bring similar claims against a U.S. company in a U.S. court.

Our articles of association include mandatory offer provisions that may have the effect of discouraging, delaying or preventing hostile takeovers, including those that might result in a premium being paid over the market price of our shares, and discouraging, delaying or preventing changes in control or management.

Although Rowan plc is not currently subject to the U.K. Takeover Code, certain provisions similar to the mandatory offer provisions and certain other aspects of the U.K. Takeover Code are included in our articles of association. As a result, among other matters, a Rowan plc shareholder, that together with persons acting in concert, acquired 30 percent or more of our issued shares without making an offer to all of our other shareholders that is in cash or accompanied by a cash alternative would be at risk of certain Board sanctions unless they acted with the consent of our Board or the prior approval of the shareholders. The ability of shareholders to retain their shares upon completion of a mandatory offer may depend on whether the offeror subsequently causes us to propose a court-approved scheme of arrangement that would compel minority shareholders to transfer or surrender their shares in favor of the offeror or, if the offeror has acquired at least 90 percent of the relevant shares, the offeror requires minority shareholders to accept the offer under the 'squeeze-out' provisions in our articles of association. The mandatory offer provisions in our articles of association could have the effect of discouraging the acquisition and holding of interests of 30 percent or more of issued shares and encouraging those shareholders who may be acting in concert with respect to the acquisition of shares to seek to obtain the consent of our Board before effecting any additional purchases. In addition, these provisions may adversely affect the market price of our shares or inhibit fluctuations in the market price of our shares that could otherwise result from actual or rumored takeover attempts.

As a result of increased shareholder approval requirements, we may have less flexibility as a U.K. public limited company than as a Delaware corporation with respect to certain aspects of capital management.

Under Delaware law, directors may issue, without further stockholder approval, any shares authorized in a company's certificate of incorporation that are not already issued or reserved. Delaware law also provides substantial flexibility in establishing the terms of preferred shares. However, English law provides that a board of directors may generally only allot shares with the prior authorization of shareholders; such authorization must state the maximum amount of shares that may be allotted and may only be for a maximum period of five years.

English law also generally provides shareholders with preemptive rights when new shares are issued for cash while Delaware law does not. However, it is possible for the articles of association, or shareholders in a general meeting, to exclude preemptive rights for a maximum period of up to five years from the date of adoption of the exclusion.

English law also generally prohibits us from repurchasing our shares on the open market, and prohibits us from repurchasing our shares by way of "off-market purchases" without the prior approval of shareholders by special resolution (i.e., 75 percent of votes cast), which approval lasts for a maximum period of five years.

Prior to the redomestication, resolutions were adopted to authorize the allotment of a certain amount of shares, exclude certain preemptive rights and permit off market purchases, in each case without further shareholder approval, but these authorizations will expire in 2017 unless further approved by our shareholders prior to the expiration date.

We cannot assure you that situations will not arise where U.K. shareholder approval requirements for the extension or expansion of any of these actions would deprive our shareholders of substantial capital management benefits.

English law requires that we meet certain additional financial requirements before we declare dividends and return funds to shareholders.

Under English law, we are only able to declare dividends and make other distributions to our shareholders out of the accumulated distributable reserves on our parent company's statutory balance sheet. Distributable reserves are a company's accumulated, realized profits, so far as not previously utilized by distribution or capitalization, less its accumulated, realized losses (including asset impairments), so far as not previously written off in a reduction or reorganization of capital duly made. The parent's sources of income include service agreements between the parent and certain indirect subsidiaries and the remittance of profit of the parent's direct subsidiary in the form of dividends.

English law also provides that a public company can only make a distribution if, among other things (a) the amount of its net assets (that is, the excess of total assets over liabilities) is not less than the total of its called-up share capital and non-distributable reserves and (b) if, and to the extent that, the distribution does not reduce the amount of its net assets to less than that total.

We may be unable to remit the profits of our subsidiaries in a timely or tax efficient manner. If at any time we do not have sufficient distributable reserves to declare and pay quarterly dividends, Rowan plc may undertake a reduction in its capital, in addition to the reduction in capital taken in 2014, to reduce the amount of our share capital and non-distributable reserves and to create a corresponding increase in our distributable reserves out of which future distributions to shareholders can be made. To comply with English law, a reduction of capital would be subject to (a) approval of shareholders at the annual shareholder meeting by special resolution; (b) confirmation by an order of the English Courts and (c) the Court order being delivered to and registered by the Registrar of Companies in England. If we were to pursue a reduction of capital as a course of action, and failed to obtain the necessary approvals from shareholders and the English Courts, we may undertake other efforts to allow Rowan plc to declare dividends or make other distributions to shareholders.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

The Company has no unresolved SEC staff comments.

ITEM 2. *PROPERTIES*

Our primary U.S. offices are located in leased space in Houston, Texas. Additionally, we own or lease other office, maintenance and warehouse facilities in Texas, Scotland, Saudi Arabia, Bahrain, Dubai, Qatar, Trinidad, Norway, Luxembourg, Angola and Malaysia.

Drilling Rigs

Following are the principal drilling equipment owned by us and their location at January 20, 2016. Water and drilling depths are the "rated" depths; actual depths may vary depending on operating location and equipment used:

		Depth (feet)			
Rig Name	**Class Name/Type**	**Water**	**Drilling**	**Year in service/ significant refurbishment**	**Location**
Ultra-Deepwater Drillships:					
Rowan Renaissance	*Gusto MSC P10,000*	12,000	40,000	2014	US GOM
Rowan Resolute	*Gusto MSC P10,000*	12,000	40,000	2014	US GOM
Rowan Reliance	*Gusto MSC P10,000*	12,000	40,000	2015	US GOM
Rowan Relentless	*Gusto MSC P10,000*	12,000	40,000	2015	US GOM
Jack-ups:					
Rowan Norway (1)	*N-Class*	400	35,000	2011	Norway
Rowan Stavanger (1)	*N-Class*	400	35,000	2011	U.K. North Sea
Rowan Viking (1)	*N-Class*	400	35,000	2011	Norway
Rowan EXL IV (1)	*EXL*	350	40,000	2011	Malaysia
Rowan EXL III (1)	*EXL*	350	40,000	2011	US GOM
Rowan EXL II (1)	*EXL*	350	35,000	2011	Trinidad
Rowan EXL I (1)	*EXL*	350	35,000	2010	Malaysia
Joe Douglas (1)	*240C*	375	35,000	2012	Trinidad
Ralph Coffman (1)	*240C*	375	35,000	2009	US GOM
Rowan Mississippi (1)	*240C*	375	35,000	2008	Saudi Arabia
J.P. Bussell (1)	*Tarzan*	300	35,000	2008	Bahrain
Hank Boswell (1)	*Tarzan*	300	35,000	2006	Saudi Arabia
Bob Keller (1)	*Tarzan*	300	35,000	2005	Saudi Arabia
Scooter Yeargain (1)	*Tarzan*	300	35,000	2004	Saudi Arabia
Bob Palmer (1)	*Super Gorilla XL*	490	35,000	2003	Saudi Arabia
Rowan Gorilla VII (1)	*Super Gorilla*	450	35,000	2002	U.K. North Sea
Rowan Gorilla VI (1)	*Super Gorilla*	450	35,000	2000	Norway
Rowan Gorilla V (1)	*Super Gorilla*	400	35,000	1998	U.K. North Sea
Rowan Gorilla IV (1)	*Gorilla*	450	35,000	1986	US GOM
Rowan Gorilla III (2)(3)	*Gorilla*	450	30,000	1984	US GOM
Rowan Gorilla II (2)(3)	*Gorilla*	380	30,000	1984	Malaysia
Rowan California (2)	116C	300	25,000	1983	Qatar
Cecil Provine (2)(3)	116C	300	30,000	1982	US GOM
Gilbert Rowe (2)	116C	300	30,000	1981/2013	Saudi Arabia
Arch Rowan (2)	116C	350	30,000	1981	Saudi Arabia
Charles Rowan (2)	116C	350	30,000	1981	Saudi Arabia
Rowan Middletown (2)	116C	300	30,000	1980	Saudi Arabia

(1) High-specification jack-up, which is defined as having hook-load capacity of at least two million pounds.
(2) Premium jack-up, which is defined as a cantilevered rig capable of operating in water depths of 300 feet or more.
(3) The *Cecil Provine, Rowan Gorilla II,* and *Rowan Gorilla III* are currently cold-stacked.

ITEM 3. *LEGAL PROCEEDINGS*

We are involved in various routine legal proceedings incidental to our businesses and are vigorously defending our position in all such matters. We believe there are no known contingencies, claims or lawsuits that could have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, positions and ages of the executive officers of the Company as of February 26, 2016, are listed below. Our executive officers are appointed by the Board of Directors and serve at the discretion of the Board of Directors. There are no family relationships among these officers, nor any arrangements or understandings between any officer and any other person pursuant to which the officer was selected.

Name	Position	Age
W. Matt Ralls	Executive Chairman	66
Thomas P. Burke	President and Chief Executive Officer	48
Stephen M. Butz	Executive Vice President, Chief Financial Officer and Treasurer	44
Mark A. Keller	Executive Vice President, Business Development	63
Melanie M. Trent	Executive Vice President, General Counsel, Chief Administrative Officer and Company Secretary	51
Gregory M. Hatfield	Vice President and Controller	46

Mr. Ralls was appointed Executive Chairman of the Board in April 2014. Prior to that time, Mr. Ralls served as President and Chief Executive Officer and a director since January 2009 until his retirement as Chief Executive Officer in April 2014. Mr. Ralls currently serves as a director of Cabot Oil & Gas Corporation and Superior Energy Services.

Dr. Burke was appointed Chief Executive Officer and elected a director of the Company in April 2014. He served as Chief Operating Officer beginning in July 2011 and was appointed President in March 2013. Dr. Burke first joined the Company in December 2009, serving as Chief Executive Officer and President of LeTourneau Technologies until the sale of LeTourneau in June 2011.

Mr. Butz became Executive Vice President, Chief Financial Officer and Treasurer upon joining the Company in December 2014. Prior to that time, Mr. Butz served as Executive Vice President and Chief Financial Officer at Hercules Offshore, Inc. He was Senior Vice President and Chief Financial Officer from 2010 to 2013 and held a number of other key positions after joining Hercules Offshore in 2005, including Director of Corporate Development and Vice President, Finance and Treasurer.

Since January 2007, Mr. Keller's principal occupation has been Executive Vice President, Business Development. Prior to that time, Mr. Keller served as Senior Vice President, Marketing.

Ms. Trent became Executive Vice President and General Counsel in September 2014. Prior to that time, Ms. Trent served as Senior Vice President, Chief Administrative Officer and Company Secretary since July 2011. From March 2010 to July 2011, she served as Vice President and Corporate Secretary. Ms. Trent has served as Corporate Secretary since she joined the Company in 2005.

Mr. Hatfield has served as Vice President and Controller since March 2010. From May 2005 to March 2010, Mr. Hatfield served as Controller.

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON STOCK, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Our shares are listed on the NYSE under the symbol "RDC." The following table sets forth the high and low sales prices of our shares for each quarterly period within the two most recent years as reported by the NYSE Consolidated Transaction Reporting System.

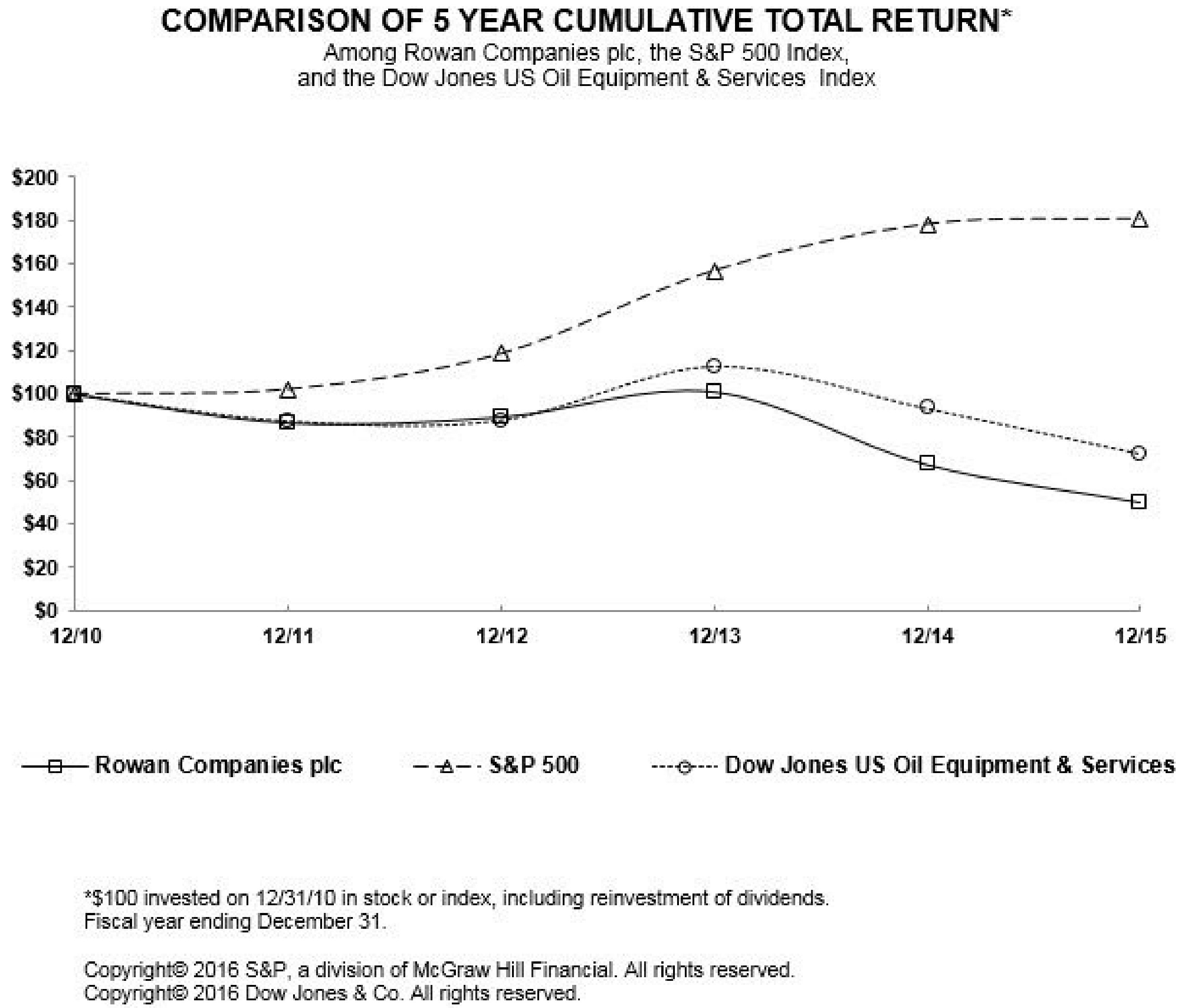
	2015		2014	
Quarter	**High**	**Low**	**High**	**Low**
First	$ 25.13	$ 17.23	$ 35.17	$ 31.13
Second	24.31	17.56	33.78	29.50
Third	21.14	14.63	32.16	24.96
Fourth	21.83	15.41	25.63	19.50

On January 31, 2016, there were 72 shareholders of record. Many of our shareholders hold their shares in "street name" by a nominee of Depository Trust Company, which is one shareholder of record.

The following table sets forth the per share quarterly cash dividends declared during the two most recent fiscal years.

Quarter	**2015**	**2014**
First	$ 0.10	$ —
Second	0.10	0.10
Third	0.10	0.10
Fourth	0.10	0.10

The graph below presents the relative investment performance of our ordinary shares, the Dow Jones U.S. Oil Equipment & Services Index, and the S&P 500 Index for the five-year period ended December 31, 2015, assuming reinvestment of dividends.



	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Rowan	100.00	86.88	89.57	101.29	67.53	50.06
S&P 500 Index	100.00	102.11	118.45	156.82	178.29	180.75
Dow Jones US Oil Equipment & Services Index	100.00	87.57	87.86	112.82	93.39	72.40

Issuer Purchases of Equity Securities

The following table summarizes acquisitions of our shares for the fourth quarter of 2015:

Month ended	Total number of shares purchased [1]	Average price paid per share [1]	Total number of shares purchased as part of publicly announced plans or programs[2]	Approximate dollar value of shares that may yet be purchased under the plans or programs[2]
Balance forward				$ —
October 31, 2015	1,468	$ 16.25	—	—
November 30, 2015	1,766	$ 11.85	—	—
December 31, 2015	238	$ 20.15	—	—
Total	3,472	$ 14.28	—	

[1] The total number of shares acquired includes shares acquired from employees by an affiliated employee benefit trust upon forfeiture of nonvested awards or in satisfaction of tax withholding requirements and shares purchased, if any, pursuant to a publicly announced share repurchase program. The price paid for shares acquired as a result of forfeitures is the par value of $0.125 per share. The price paid for shares acquired in satisfaction of withholding taxes is the share price on the date of the transaction. There were no shares repurchased under any share repurchase program during the fourth quarter of 2015.

[2] The ability to make share repurchases is subject to the discretion of the Board of Directors and the limitations set forth in the Companies Act, which generally provide that share repurchases may only be made out of distributable reserves. In addition, U.K. law also generally prohibits a company from repurchasing its own shares through "off market purchases" without the prior approval of shareholders, which approval lasts for a maximum period of five years. Prior to and in connection with the redomestication, the Company obtained approval to purchase its own shares. To effect such repurchases, the Company entered into a purchase agreement with a specified dealer in July 2012, pursuant to which the Company may purchase up to a maximum of 50,000,000 shares over a five-year period, subject to an annual cap of 10% of the shares outstanding at the beginning of each applicable year. Subject to Board approval, share repurchases may be commenced or suspended from time to time without prior notice and, in accordance with the shareholder approval and U.K. law, any shares repurchased by the Company will be cancelled. The authority to repurchase shares terminates in April 2017 unless otherwise reapproved by the Company's shareholders prior to that time. U.K. law prohibits the Company from purchasing its shares in the open market because they are not traded on a recognized investment exchange in the U.K.

For information concerning our shares to be issued in connection with equity compensation plans, see Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," of this Form 10-K.

The remainder of the Form 10-K has been redacted.