Latina Offshore Holding Limited and Subsidiaries

(Subsidiary of Grupo Creatica, S. A. de C. V.)

Consolidated Financial Statements for the years ended December 31, 2019 and 2018, and Independent Auditors' Report Dated April 27, 2020

Latina Offshore Holding Limited and Subsidiaries
(Subsidiary of Grupo Creatica, S. A. de C. V.)

Independent Auditors' Report and Consolidated Financial Statements for 2019 and 2018

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Independent Auditors' Report to the Board of Directors and Stockholders of Latina Offshore Holding Limited

Opinion

We have audited the consolidated financial statements of Latina Offshore Holding Limited and Subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the consolidated statements of operations, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2019 and 2018, their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Independent Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Entity in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (*"IESBA Code") together with the Code of Ethics issued by the *Mexican Institute of Public Accountants* ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

The Entity provides services exclusively to a related party. Accordingly, the accompanying consolidated financial statements are not necessarily indicative of the prevailing conditions or results of operation and cash flows that the Entity would have obtained, if there were no such affiliation.

As mentioned in Note 3a, the accompanying consolidated financial statements have been prepared under the assumption that the Entity will continue as a going concern. Also as it is indicated in Note 2, restructured its debt of the International Bonds. However, due to the business dependence with its related party, the imbalance between current assets and current liabilities, its accumulated losses and volatility of the industry environment, as of to date, it is not possible to anticipate whether the Entity will have sufficient cash flows to meet to its short and long-term obligations. The accompanying consolidated financial statements do not include any adjustments related to the valuation and classification of assets and liabilities, which may be necessary in the event that the Entity could not continue in operation. Management's plans for the Entity to continue as a going concern are indicated in Note 3a.

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As mentioned in Note 15, the appearance of the Coronavirus COVID-19 in China in January 2020 and its recent global expansion to a large number of countries, has led to the viral outbreak being classified as a pandemic by the World Organization for Health since last March 11, 2020. The economic impacts and the consequences in the markets will depend on the evolution and spread of the pandemic in the coming months, as well as on the capacity of reaction and adaptation of all the economic agents impacted.

Our opinion has not been modified in relation to these matters.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a Going Concern, disclosing, as applicable, matters related to Going Concern and using the Going Concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise due to fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the Going Concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a Going Concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a Going Concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient and appropriate audit evidence about the Entity's financial information and its business activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We continue to be solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance of the Entity with a statement that we have complied with the applicable ethical requirements regarding independence and have communicated to them about all relationships and other matters that can reasonably be expected to affect our independence, and where appropriate, the corresponding safeguards.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. César Román Navarrete Esparza

Mexico City, Mexico
April 27, 2020

Latina Offshore Holding Limited and Subsidiaries
(Subsidiary of Grupo Creatica, S. A. de C. V.)

Consolidated Statements of Financial Position
As of December 31, 2019 and 2018
(In thousands of US dollars)

Assets	Note	2019	2018
Current assets:			
Cash and restricted cash	6	$ 17,500	$ 22,712
Due from related parties	14	19,182	14,338
Other accounts receivable		6,012	7,168
Prepaid expenses, net		491	2,375
Total current assets		43,185	46,593
Non-current assets:			
Jack-ups and equipment, net	7	439,289	468,482
Deferred income taxes	9	23,623	14,170
Total non-current assets		462,912	482,652
Total assets		$ 506,097	$ 529,245
Liabilities and Stockholders' equity			
Current liabilities:			
Current portion of long-term debt	8	$ 54,542	$ 305,687
Trade accounts payable		5	2,455
Due to related parties	14	12	141
Other accounts payable and accrued liabilities		9,451	10,672
Interest payable		7,251	10,767
Total current liabilities		71,261	329,722
Non-current liabilities:			
Long-term debt	8	295,691	49,172
Deferred income taxes	9	-	384
Total non-current liabilities		295,691	49,556
Total liabilities		366,952	379,278
Stockholders' equity:			
Capital stock	11	227,727	227,727
Deficit		(88,582)	(77,760)
Total stockholders' equity		139,145	149,967
Total liabilities and stockholders' equity		$ 506,097	$ 529,245

See accompanying notes to the consolidated financial statements.

Latina Offshore Holding Limited and Subsidiaries
(Subsidiary of Grupo Creatica, S. A. de C. V.)

Consolidated Statements of Operations

For the years ended December 31, 2019 and 2018
(In thousands of US dollars)

	Note	2019	2018
Revenue from operating lease	14	$ 56,547	$ 57,438
Operating cost	12	1,450	3,553
Depreciation	7	43,683	35,180
Gross profit		11,414	18,705
Other (income) expense		(4)	17
Interest expense, net	13	31,971	33,712
Exchange loss (gain), net		105	318
Loss before income taxes		(20,658)	(15,342)
Deferred income tax benefit	9	(9,837)	(6,366)
Consolidated loss for the year		$ (10,822)	$ (8,976)

See accompanying notes to the consolidated financial statements.

Latina Offshore Holding Limited and Subsidiaries
(Subsidiary of Grupo Creatica, S. A. de C. V.)

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2019 and 2018
(In thousands of US dollars)

	Capital stock	Deficit	Total stockholders' equity
Beginning balance as of January 1, 2018	$ 227,727	$ (68,784)	$ 158,943
Consolidated loss for the year	-	(8,976)	(8,976)
Balance as of December 31, 2018	227,727	(77,760)	149,967
Consolidated loss for the year	-	(10,822)	(10,822)
Balance as of December 31, 2019	$ 227,727	$ (88,582)	$ 139,145

See accompanying notes to the consolidated financial statements.

Latina Offshore Holding Limited and Subsidiaries
(Subsidiary of Grupo Creatica, S. A. de C. V.)

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018
(In thousands of US dollars)

	2019	2018
Cash flows from operating activities		
Consolidated loss for the year	$ (10,822)	$ (8,976)
Adjustments for:		
Deferred income tax benefit	(9,837)	(6,366)
Depreciation	43,683	35,180
Interest income	(1,786)	(1,719)
Interest expense	34,630	34,500
Exchange gain	105	318
Amortization of bond issuance costs	(872)	931
	55,101	53,868
Changes in working capital:		
(Increase) decrease in:		
Due from related parties	(3,872)	14,660
Other accounts receivable	1,156	835
Prepaid expenses	1,883	(1,904)
(Decrease) increase in:		
Trade accounts payable	(2,450)	2,455
Due to related parties	(129)	141
Other accounts payable and accrued liabilities	(1,328)	664
Net cash flows provided by operating activities	50,361	70,716
Cash flows from investing activities:		
Purchase of machinery and equipment	(14,491)	(12,740)
Net cash flows used in investing activities	(14,491	(12,740)
Cash flows from financing activities:		
Payments of long term-debt	(2,842)	(1,000)
Bonds issuance cost	(912)	(1,227)
Interest paid	(37,328)	(38,178)
Net cash flows used in financing activities	(41,082)	(40,405)
Net (decrease) increase in cash and restricted cash	(5,212)	17,571
Cash and restricted cash at the beginning of the year	22,712	5,141
Cash and restricted cash at end of the year	$ 17,500	$ 22,712

See accompanying notes to the consolidated financial statements.

(In thousands of US dollars)

1. Activities

Latina Offshore Holding Limited (the "Entity") is a Bermuda exempted company established on September 27, 2013 under the laws of Bermuda. The Entity has an office at Canon's Court 22 Victoria Street, Hamilton, Bermuda. For Mexican tax purposes, the Entity's address is Horacio 1855, 5th floor, Los Morales Polanco, Mexico City, Zip Code 11510.

The main activities of the Entity and its subsidiaries is the leasing of two Jack-ups ("Santa Maria" and "La Covadonga") and a Modular rig ("Modular 01") for oil and gas drilling to Constructora y Perforadora Latina, S.A. de C.V., ("CP Latina"), its direct parent company incorporated in Mexico.

The Entity provides services exclusively to a related party. Accordingly, the accompanying consolidated financial statements are not necessarily indicative of the prevailing conditions or results of operation and cash flows that the Entity would have obtained, if there were no such affiliation.

The Entity's operating and administrative personnel are employed directly by a related party. Therefore, the Entity has no employees and is not subject to any labor obligations other than any joint and several obligations that may arise from the labor agreements executed with the related party.

2. Significant events

a. ***$298,017 International bond (original amount $350,000) and $54,390 (original amount de $75,000)***

During 2019, the following conditions were agreed:

	$298,017 Bond	**$54,390 Bond**
Maturity date	October 15, 2022	October 30, 2020
Interest payment frequency	On quarterly basis	On quarterly basis
Payments of principal	100% of available quarterly cash flow	$500 plus 2% and 100% of available quarterly cash flow starting from January 15, 2020

Regarding to the $54,390 bond, quarterly interest payment for July 2018, October 2018, January 2019, and April 2019 for the total amount of $ 4,900 plus 10% were capitalized as part of the principal increasing from $49,000 to $54,390 as of December 31, 2019.

During 2018, the following conditions were agreed:

	$306,250 Bond	**$49,000 Bond**
Maturity date	September 3, 2019	January 31, 2020
Interest payment frequency	From biannual to quarterly basis	On quarterly basis
Payments of principal	100% of available quarterly cash flow	$500 plus 2% and 100% of available quarterly cash flow

3. Basis of presentation

a. ***Going concern***

The accompanying consolidated financial statements have been prepared under the assumption that the Entity will continue as a going concern. Also as it is indicated in Note 2, restructured its debt of the International Bonds. However, due to the business dependence with its related party, the imbalance between current assets and current liabilities, its accumulated losses and volatility of the industry environment, as of to date, it is not possible to anticipate whether the Entity will have sufficient cash flows to meet to its short and long-term obligations. The accompanying consolidated financial statements do not include any adjustments related to the valuation and classification of assets and liabilities, which may be necessary in the event that the Entity could not continue in operation.

The plans of the Management of the Entity to continue as a going concern are as follows:

i. Cost improvements and profile of debt, including the refinancing of short-term and long-term liabilities, and seek alternative sources of financing,
ii. Develop new projects, achieving high levels of operational efficiency and therefore adequate profitability.

b. ***Application of new and revised International Financing Reporting Standards ("IFRS") and interpretations that are mandatorily effective for the current year***

In the current year, the Entity has applied a number of amendments to IFRS issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2019.

New and modified IFRSs that are effective for the reporting periods and periods beginning on or after January 1, 2019

Impact for initial recognition of IFRS 16 Leases

The Entity verified the compliance with IFRS 16 (issued by the IASB in January 2016) implementation, which establishes new or amended requirements regarding lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and financial lease and requiring the recognition of a right-of-use assets and a lease liability at commencement date of all leases, except those that are considered short term or low value assets. In contrast to the lessee accounting, the requirements for the lessor accounting have remained significantly unchanged. The impact of the adoption of IFRS 16 on the Entity's consolidated financial statements is described below.

The initial application date of IFRS 16 for the Entity was January 1, 2019.

a) *Impact of the new definition of leasing*

The Entity has determined to use the practical expedient available on the transition to IFRS 16 not to reassess whether a contract is or contains a lease. Therefore, the definition of leasing under IAS 17 and IFRIC 4 will continue to be applied to those contracts entered into or modified before January 1, 2019.

The change in the definition of a lease mainly refers to the concept of control. IFRS 16 determines whether a contract contains a lease based on whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the "risks and benefits" approach of IAS 17 and IFRIC 4.

The Entity applies the definition of a lease and the related guidelines outlined in IFRS 16 to all contracts entered into or modified on or after January 1, 2019. For the first time application of IFRS 16, the Entity carried out an implementation project, which revealed that the new definition of leasing under IFRS 16 does not significantly change the scope of the contracts that meet the definition of leasing for the Entity since the existing leases correspond to leases of low value, and contracts with validity of less than one year.

b) *Impact of accounting as lessee*

(i) *Previous operating leases*

IFRS 16 changes the way the Entity accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet

When applying IFRS 16, for all leases (except those mentioned below), the Entity:

(a) Recognizes the right-of-use asset and the lease liability in the consolidated statement of financial position, initially measured at the present value of the future lease payments.
(b) Recognizes the depreciation of the right-of-use asset and the interest generated by the lease liabilities in the consolidated statement of profit or loss.
(c) Separates the total amount of cash paid to capital (presented within financing activities) and to interests (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (for example, rent-free periods) are recognized in the initial measurement as part of the right-of-use assets and lease liability; instead when under IAS 17 a recognition of a lease incentive is generated, amortized as a reduction of rental expenses, generally on a straight line method.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (with a term of 12 months or less) and for low-value assets (such as computers, small items of office, furniture and telephones), the entity has chosen to recognize a lease expense under the straight-line method, as permitted by IFRS 16. This expense is presented in “other expenses” in the consolidated statement of profit or loss.

(ii) *Previous financial leases*

The main differences between IFRS 16 and IAS 17 with respect to contracts classified as finance leases is the measurement of the residual value of the guarantees provided by the lessor to the lessee. IFRS 16 requires the Entity to recognize as part of the lease liabilities only the amount expected to be paid under a residual value guarantee, as opposed to the maximum amount of the guarantee required by IAS 17. This change did not generate any material impact on the Entity’s consolidated financial statements.

This change had no impact on the Entity’s consolidated financial statements.

c) *Impact of accounting as lessor*

IFRS 16 does not contain substantial changes in the way a lessor accounts for a lease. Under IFRS 16, a lessor continues to classify leases as finance leases or operating leases and the accounting for these two types of leases is carried out differently.

On the other hand, IFRS 16 changed and expanded the disclosures, in particular those regarding how the lessor manages the risks resulting from the residual interest in leased assets.

Under IFRS 16, an intermediate lessor must account for the main lease and the sublease as two separate contracts. The intermediate lessor should classify the sublease as a finance lease or operating lease in reference to the right-of-use asset resulting from the main lease (and not in reference to the underlying asset as it was under IAS 17).

This change had no impact on the Entity's consolidated financial statements.

Impact of application of other amendments to IFRS Standards and Interpretations effective for periods beginning on or after January 1, 2019

In the current year, the Entity has applied a number of amendments to IFRS and Interpretations issued by the IASB that are effective for an annual period that begins on or after January 1, 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

Amendments to IAS 9 Prepaid features with negative compensation

The Entity adopted the amendments to IFRS 9 for the first time in the current period. The amendments to IFRS 9 clarify that, in order to assess whether a prepayment meets the Solely Payments of Principal and Interest (SPPI), the party exercising the option may pay or receive reasonable compensation for prepayment regardless of reason for prepayment. In other words, financial assets with prepaid characteristics with negative compensation do not necessarily fail the SPPI test.

Amendments to IAS 19, Employee Benefits Plan Amendment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.

The Entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - If yes, the Entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings
    - If no, the Entity should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

c. ***New and revised IFRS Standards in issue but not yet effective***

At the date of authorization of these financial statements, The Entity has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 10 e IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IFRS 3	*Business Definition*
Amendments to IAS 1 and IAS 8,	*Materiality definition*
Framework	*IFRS Standards framework*

The management does not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Entity in future periods, except as noted below:

IFRS 10 and IAS 28 (amendments), Sale or Contribution of Assets between and 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 assets 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 recognized 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 is recognized 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 effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Entity anticipate that the application of these amendments may have an impact on the Entity's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 3, Business definition

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided and helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020, with early application permitted.

Amendments to IAS 1 and IAS 8, materiality definition of

The amendments intended to define materiality in IAS 1 and make it easier to understand, and is not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'darken' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’.

The definition of materiality in IAS 8 has been replaced by a reference to the definition of materiality in IAS 1. In addition, the IASB amended other Standards and the framework that contain a definition of materiality or refer to the term ‘materiality’ to ensure consistency.

The amendments applied prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

IFRS Standards framework

Along with the revised framework, which became effective upon publication on March 29, 2018, the IASB has also issued amendments to references to the IFRS Standards framework. The document contains amendments to IFRS 2, 3, 6, 14, IAS 1, 8, 34, 37, 38, IFRIC 12, 19, 20, 22, and SIC-32.

However, not all amendments update those pronouncements regarding to the framework references, so that they refer to the revised framework. Some pronouncements are updated only to indicate which version of the framework is referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the standards have not been updated with the new definitions developed in the revised framework.

The amendments were actually updates and are effective for annual periods beginning on or after January 1, 2020, with early application permitted.

4. Significant accounting policies

a. ***Statement of compliance***

The consolidated financial statements have been prepared in accordance with IFRS as issued by IASB.

b. ***Basis of preparation***

The accompanying consolidated financial statements have been prepared on a historical cost basis; disclosures of fair value have been included where required by IFRS.

i. *Historical cost*

Historical cost is generally measured as the fair value of the consideration given in exchange for goods and services.

ii. *Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value measurements are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Entity and its subsidiaries controlled. Control is achieved when the Entity:

- Has power over the investee,
- Is exposed or has rights, to variable returns from its involvement with that entity or,
- It has the ability to use its power to affect those returns.

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

When the Entity has less than a majority of the voting rights of an investee, it has 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 Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, the 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 Entity gains control until the date when the Entity ceases to control the subsidiary.

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

The Entity's shareholding percentage in the capital stock of its subsidiaries on December 31, 2019 and 2018 is shown below:

	Activity	**% Ownership 2019 and 2018**
Latina Offshore Limited	Holding	100%
Santa Maria Offshore Limited	Lessor	100%
La Covadonga Limited	Lessor	100%
Latina Modular Holding Limited	Holding	100%
Latina Modular 01 Limited	Lessor	100%

Changes in the Entity's ownership interests in existing subsidiaries

Changes in the Entity's ownership interest in subsidiaries of the Entity that do not result in a loss of control are recorded as equity transactions. The carrying value of investments and non-controlling interests of the Entity is adjusted to reflect changes in the investments in subsidiaries. Any difference between the amount by which the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and is attributed to the owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is considered as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

d. ***Financial instruments***

Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instruments.

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.

e. ***Financial assets***

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

1. *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as of FVTPL.

2. *Financial assets at FVTPL*

Financial assets are classified as of FVTPL when the financial asset is either held for trading or it is designated as of FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the interest income and expenses line items. Fair value is determined in the manner described in Note 10.

3. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

4. *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Entity’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past an average credit period established by the Entity, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of trade or lease receivables is reduced through the use of an allowance account. When a trade or lease receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

5. *Derecognition of financial assets*

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

f. ***Cash and restricted cash***

Consists mainly of bank deposits in checking accounts. Cash is stated at nominal value. A minimum level of cash shall be maintained as restricted cash under debt agreement (see note 8)

g. ***Jack-ups and equipment***

Jack-ups and equipment that are initially recorded at cost less cumulated depreciation and any impairment loss recognized.

Jack-ups and equipment that are in the process of construction are recorded at cost less any impairment loss recognized. Cost includes professional fees and, in the case of qualifying assets, the costs of borrowing capitalized in accordance with the accounting policy of the Entity. The depreciation of these assets is initiated when assets are ready for their planned use.

Depreciation is recognized so as to write off the cost of assets over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted on a prospective basis.

Items of Jack-ups and equipment are 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 the disposal or retirement of any items of jack-ups and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The average useful lives of Jack-ups and equipment are:

	Years
Jack-ups	14
Modular rig	12

During 2018, the Entity reviewed the useful lives of the Jack- ups and the Modular rig equipment, having a decrease in the depreciation expense in the amount of $ 13,983.

h. ***Impairment of tangible assets***

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest entity of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

i. ***Leasing***

The Entity as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

j. ***Foreign currencies***

In preparing the financial statements of each individual entity, transactions in currencies other than the Entity's functional currency (US dollar) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

On the disposal of a foreign operation (i.e. a disposal of the Entity's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Entity are reclassified to profit or loss.

The Exchange rates used to convert foreign currency into US dollars were as follows:

	December 31,	
	2019	**2018**
Mexican pesos per one US dollar	$ 18.8452	$ 19.6829

k. ***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.

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

l. ***Income taxes***

Income tax represents the sum of current and deferred tax.

1. *Current tax*

Current income tax ("ISR") is recognized in the results of the year in which is incurred.

2. *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.

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 Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. *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.

m. ***Provisions***

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

n. ***Financial liabilities and equity instruments***

1. *Classification as debt or equity*

Debt and equity instruments issued by the Entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2. *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Entity after deducting all of its liabilities. Equity instruments issued by an entity are recognized at the proceeds received, net of direct issue costs.

3. *Financial liabilities*

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

Other financial liabilities, which include borrowings and trade and other payables, are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

4. *Derecognition of financial liabilities*

The Entity derecognizes financial liabilities when, and only when, the Entity’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

o. ***Consolidated statement of cash flows***

The cash flows is used applying the indirect method. Interest received is classified as investing cash flows, while interest paid is classified as financing cash flows.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity’s accounting policies, which are described in Note 4, the Entity’s management is 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 recognized 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.

a. ***Critical judgments in applying accounting policies***

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Entity´s accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- ***Leases*** - The Entity evaluates the classification of the leases for accounting purposes.

  In performing such assessment, the Entity is required to exercise its professional judgment and make estimates, as follows:

  (a) The lease does not transfer ownership of the Jack-ups and modular rig to the lease by the end of the lease term.

(b) The lease does not contain an option to purchase the Jack-ups and modular rig.
(c) The lease term does not represent a substantial portion of the economic life of the Jack-ups and modular rig.
(d) At the inception of the lease the present value of the minimum lease payments amounts does not represent a substantial portion of fair value of the leased Jack-ups and modular rig.
(e) The leased Jack-ups and modular rig can be used by another interested party without major modifications.

- ***Contingencies*** - By their nature, contingencies are settled when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the use of judgment and significant estimates related to the future outcome of those events.

b. ***Key sources of estimation uncertainty***

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates of useful lives and depreciation methods - The Entity reviews its estimates of useful lives and methods of depreciation on the Jack-ups and modular rig periodically and the effect of any change in estimate is recognized prospectively. Changes in these estimates could have a significant impact on the statements of financial position and comprehensive income of the Entity.

Recovery of tax losses carryforwards - The Entity makes financial and tax projections for the purpose of maximizing efficiency with respect to accounting and tax results. For tax purposes, the Entity realized a significant loss due to the devaluation of the Mexican peso with respect to the US dollar during 2016 and 2015. The Entity expects to amortize tax losses against tax profits generated from subsequent years, with the normal operations of its Jack-ups and modular rig.

6. Cash and restricted cash

	2019	2018
Cash and banks deposits	$ 7,253	$ 12,712
Restricted cash (see Note 8)	10,247	10,000
	$ 17,500	$ 22,712

7. Jack-ups and equipment

	Balance as of December 31, 2018	Additions	Transfers/Disposals	Balance as of December 31, 2019
Investment				
Jack-ups	$ 518,146	$ 7,513	$ 754	$ 526,413
Modular rig	119,619	5,126	(782)	123,963
Computers	414	-	-	414
Spare parts	12,403	1,852	-	14,255
	650,582	14,491	(28)	665,045

	Balance as of December 31, 2018	Additions	Transfers/Disposals	Balance as of December 31, 2019
Depreciation				
Jack-ups	(158,062)	(31,902)	19	(189,945)
Modular rig	(23,624)	(11,781)	8	(35,397)
Computers	(414)	-	-	(414)
	(182,100)	(43,683)	27	(225,756)
Total investment, net	$ 468,482	$ (29,192)	$ (1)	$ 439,289

	Balance as of December 31, 2017	Additions	Transfers/Disposals	Balance as of December 31, 2018
Investment				
Jack-ups	$ 512,801	$ 5,361	$ (16)	$ 518,146
Modular rig	116,963	2,656	-	119,619
Computers	414	-	-	414
Vehicles	140	-	(140)	-
Spare parts	7,680	4,723	-	12,403
	637,998	12,740	(156)	650,582
Depreciation				
Jack-ups	(131,459)	(26,619)	16	(158,062)
Modular rig	(15,086)	(8,538)	-	(23,624)
Computers	(414)	-	-	(414)
Vehicles	(117)	(23)	140	-
	(147,076)	(35,180)	156	(182,100)
Total investment, net	$ 490,922	$ (22,440)	$ -	$ 468,482

The Jack-ups and the modular rig are pledged as collateral for the bonds, as indicated in Note 8.

8. Long-term debt

	2019	2018
Secured - at amortized cost		
Senior secured callable bond for $298,018 ($350,000 original amount) maturing on October 15, 2022, bearing interest, payable on quarterly basis, at a fixed 8.875% rate. Principal will be paid in a quarterly basis on the total excess of cash flow.	$ 298,018	$ 306,250
Senior secured callable bond for $54,390 ($75,000 original amount) maturing on October 31, 2020, bearing interest, payable in a quarterly basis, at a fixed 10.00% rate, and principal quarterly payments of $500 starting January 15, 2020.	54,390	49,000
	352,408	355,250
Less:		
Bond issuance cost, net	(2,175)	(391)
Total debt	350,233	354,859
Less: current portion	54,542	305,687
	$ 295,691	$ 49,172

a. The maturities of the long-term debt as of December 31, 2019, are as follows:

2022	$ 295,691

b. As mentioned in Note 2b, the Entity entered into an agreement with the bondholders of the International Bonds of $ 298,017 and $ 54,390 to modify certain conditions established in the contracts.

International Bonds are guaranteed by both jack ups and modular rig.

The Entity may redeem the bond of $298,017 (Call option at any time to a nominal value); and may redeem the bond of $54,390 at any time at a price equal to 102% of par value.

The Entity shall ensure compliance with several negative and affirmative covenants. The relevant covenants are as follows:

- No payment of more than 50% of dividends on the profit.
- Do not contract new liens on assets.
- Restricted cash of $ 10 million (See Note 6).
- Maintain a minimum total equity to liability ratio of 22.5% and not exceed $ 360,000 bank debt.

At the date of the issuance of these consolidated financial statements, the Entity has complied with the covenants established in the renegotiated agreements.

9. Income taxes

The Entity is not subject to income taxes in Bermuda. The Entity is subject to income tax (ISR, for its name in Spanish) in Mexico at the current rate of 30%.

a. ***Income tax recognized in statement of operations***

	2019	2018
Current tax	$ -	$ 1
Deferred income tax benefit	(9,837)	(6,367)
	$ (9,837)	$ (6,366)

The reconciliation of the statutory and effective ISR rate expressed in amounts of loss before income taxes is:

	2019	2018
Statutory rate	30%	30%
Non-deductible expenses	1%	1%
Other, mainly effects of inflation	17%	10%
Effective rate	48%	41%

b. ***Deferred tax in the consolidated statements of financial position***

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

	2019	2018
Deferred ISR assets:		
Effect of tax loss carryforwards	$ 16,700	$ 25,950
Provisions	29	25
Jack-ups and equipment	4,763	-
Other assets	2,131	1,863
Deferred ISR assets	23,623	27,838
Deferred ISR liabilities:		
Jack-ups and equipment	-	(14,052)
Deferred ISR liabilities	-	(14,052)
Net asset	$ 23,623	$ 13,786
Deferred income tax asset	$ 26,623	$ 14,170
Deferred income tax liability	$ -	$ (384)

c. The benefits of restated tax loss carryforwards for which the deferred ISR asset have been recognized, and can be recovered subject to certain conditions. Expiration dates and restated amounts as of December 31, 2019, are:

Year of expiration	Tax loss carryforwards
2024	$ 471
2025	5,179
2026	36,484
2027	3,677
2028	6,857
2029	2,998
	$ 55,666

10. Financial risk management

a. ***Capital management***

The Entity manages its capital to ensure that it will continue as a going concern, while it maximizes returns to its stockholders through the optimization of the balances of debt and equity. The capital structure of the Entity is composed by its net debt and stockholders' equity.

The Entity is subject to an equity ratio covenant of a minimum of 22.5%.

	Amount
Consolidated equity	$ 139,145
Total consolidated assets	506,097
Equity ratio	27.5%

b. ***Interest rate risk management***

The Entity is exposed to interest rate risk as a result of fluctuations in market rates when compared to the fixed rates under which its debt accrues interest. The risk is not currently considered significant but may be managed in the future by entering into derivative financial instruments to hedge such risk.

c. ***Credit risk management***

Credit risk refers to the situation in which the borrower defaults on its contractual obligations, thereby generating a financial loss for the Entity and which is essentially derived from customer accounts receivable and liquid funds. The Entity does not believe it has a significant credit risk as of December 31, 2019 and 2018 a result of its financial position as of such date.

d. ***Liquidity risk management***

Corporate treasury has the ultimate responsibility for liquidity management, and has established appropriate policies to control this through monitoring of working capital, managing short, medium and long-term funding requirements, maintaining cash reserves, continuously monitoring cash flows (projected and actual), and reconciling the maturity profiles of financial assets and liabilities.

The Entity is subject to a minimum (free and unrestricted) liquidity covenant for $10,247 on a consolidated basis. (See Note 8).

The following table details the Entity's remaining contractual maturity for its liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows or financial liabilities based on the earliest date on which the Entity can be required to pay. The table includes both interest and principal cash flows.

	December 31, 2019					
	Weighted average effective interest rate %	**1-6 months**	**6 months to 1 year**	**1-5 years**	**Total**	**Carrying amount**
Fixed interest rate instruments	8.875%	$ 16,951	$ 70,340	$ 350,916	$ 438,207	$ 350,233
Trade accounts payable		-	5	-	5	5
Due to related parties		-	12	-	12	12
Total		$ 16,951	$ 70,357	$ 350,916	$ 438,224	$ 350,250

	December 31, 2018					
	Weighted average effective interest rate %	**1-6 months**	**6 months to 1 year**	**1-5 years**	**Total**	**Carrying amount**
Fixed interest rate instruments	8.875%	$ 307,985	$ 3,432	$ 53,125	$ 364,542	$ 354,859
Trade accounts payable		-	2,455	-	2,455	2,455
Due to related parties		-	141	-	141	141
Total		$ 307,985	$ 6,028	$ 53,125	$ 367,138	$ 357,455

e. ***Fair value measurements***

The fair value of financial instruments presented below has been determined by the Entity using information available in the markets or other valuation techniques but require judgment with respect to their development and interpretation, in addition use assumptions that are based on market conditions existing at each consolidated statements of financial position date. Consequently, the estimated amounts presented below are not necessarily indicative of the amounts that the Entity could obtain in a current market exchange. The use of different assumptions and/or estimation methods could have a material effect on the estimated amounts of fair value.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

– Level 1 are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

– Level 2 are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3 are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Entity considers that the carrying amount of cash and restricted cash, accounts receivable and accounts payable from third parties and to related parties and the current portion of bank loans approximate their fair values because they have short-term maturities. The Entity's long-term debt is recorded at amortized cost and incurs interest at fixed and variable rates that are related to market indicators.

The carrying amounts of financial instruments by category and their related fair values at December 31 are as follows:

	Carrying amount	Fair value at December 31, 2019
Financial assets:		
Cash and restricted cash (Level 1)	$ 17,500	$ 17,500
Due from related parties (Level 2)	19,182	19,182
Financial liabilities:		
Trade accounts payable (Level 2)	$ 5	$ 5
Financial liabilities held at amortized cost:		
Debt (Level 2)	$ 350,233	$ 312,770

	Carrying amount	Fair value at December 31, 2018
Financial assets:		
Cash and restricted cash (Level 1)	$ 22,712	$ 22,712
Due from related parties (Level 2)	14,338	14,338
Financial liabilities:		
Trade accounts payable (Level 2)	$ 2,455	$ 2,455
Financial liabilities held at amortized cost:		
Debt (Level 2)	$ 354,859	$ 278,056

Management believes that the carrying value of amounts due from and due to related parties approximate their fair values based on their nature and short-term maturities. The fair value of bonds was determined by the Entity's management using a level 2 valuation methodology. The fair value of the bonds was calculated by the Entity using discounted cash flow valuation technique at a discount rate of 9.33% for the $350,000 ($298,018 outstanding balance as of December 31, 2019) and 10.52% for the $75,000 ($54,390 outstanding balance as of December 31, 2019), that reflects the Entity's current borrowing rate at the end of the reporting period.

11. Stockholders' equity

The historical amount of subscribed and paid-in common stock of the Entity as of December 31 is as follows:

	2019 and 2018	
	Shares	**Amount**
Fixed:		
Series A	100	$ -
Variable:		
Series A	227,727,292	227,727
	227,727,392	$ 227,727

Common stock consists of ordinary, nominative shares with par value of one dollar.

12. Cost and expenses by nature

	2019	2018
Insurance	$ 576	$ 2,824
Services	662	606
Others	212	123
	$ 1,450	$ 3,553

13. Interest expense

	2019	2018
Interest income from related parties	$ (1,540)	$ (1,571)
Interest expenses with related parties	814	724
Interest expense for senior secured callable bonds	33,815	33,776
Amortization of bond issuance cost	(872)	931
Other (income) expenses	(246)	(148)
	$ 31,971	$ 33,712

14. Balances and transactions with related parties

Balances and transactions between the Entity and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Entity and other related parties are disclosed below.

a. Transactions with related parties, carried out in the ordinary course of business were as follows:

	2019	2018
Operating lease revenues	$ 56,547	$ 57,438
Interest income	$ 1,540	$ 1,571
Purchases of spare parts and tools	$ (14,491)	$ (12,740)
Interest expenses	$ (815)	$ (724)
Other expenses	$ (144)	$ (75)

b. Balances with related parties are as follows:

	2019	2018
Due from related parties -		
CP Latina	$ 19,182	$ 14,338
Due to related parties -		
Servicios Corporativos Latina, S.A. de C V.	$ 12	$ 141

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

15. Subsequent events

The appearance of the Coronavirus COVID-19 in China in January 2020 and its recent global expansion to a large number of countries, has led to the viral outbreak being classified as a pandemic by the World Health Organization since March 11, 2020. The economic impacts and consequences in the markets will depend largely on the evolution and spread of the pandemic in the coming months, as well as on the capacity of reaction and adaptation of all the economic agents impacted.

The Entity operates in an industry defined as essential and, therefore, it has not interrupted its activities nor does it foresee that this will occur, therefore, there is no financial impact at the date of issuance of the consolidated financial statements. In any case, the Entity is attentive to any impact that may occur in its projects and activities.

Likewise, the Entity, as well as the industry, has a very high level of maturity with respect to occupational safety and health and therefore has implemented the highest control standards to mitigate the effects of COVID-19, i) modifying the rotation offshore personnel, ii) periodically sanitizing the facilities, iii) establishing medical examinations for offshore personnel before boarding and during their offshore stay, and iv) formalizing a response plan if they have any indication that the staff may be infected with COVID-19.

16. Authorization to issue the consolidated financial statements

On April 27, 2020, the issuance of the accompanying consolidated financial statements was authorized by C.P.C. Miguel Ruiz Tapia, Chief Executive Officer, the Audit Committee and the Board of Directors*;* consequently, they do not reflect events that occurred after that date, and are subject to the approval at the Entity's Annual Ordinary Stockholders' Meeting, where they may be modified. The consolidated financial statements for the year ended December 31, 2018 were approved at the Annual Ordinary Stockholders' Meeting held in April 28, 2019.

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