Santa Maria Offshore Limited
(Subsidiary of Grupo Creatica, S. A. de C. V.)

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

Santa Maria Offshore Limited
(Subsidiary of Grupo Creatica, S. A. de C. V.)

Independent Auditors' Report and Financial Statements for 2019 and 2018

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Independent Auditors' Report to the Board of Directors and Stockholders of Santa Maria Offshore Limited

Opinion

We have audited the accompanying financial statements of Santa Maria Offshore Limited (the "Entity"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the statements of Profit (loss), statements of changes in Stockholders' equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 ("IASB").

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 *Auditor's responsibilities for the audit of the 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 matter

The Entity provides services exclusively to a related party. Accordingly, the accompanying 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 11, 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 Financial Statements

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

In preparing the 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.

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Independent Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

- 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 auditor's report to the related disclosures in the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

April 27, 2020

Santa Maria Offshore Limited
(Subsidiary of Grupo Creatica, S. A. de C. V.)

Statement of Financial Position

As of December 31, 2019 and 2018
(In thousands of US dollars)

Assets

	Note	2019	2018
Current assets:			
Cash		$ 39	$ 11
Due from related parties	10	26,656	25,571
Other accounts receivable		1,227	2,572
Prepaid expenses, net		19	952
Total current assets		27,941	29,106
Non-current assets:			
Jack-up and equipment, net	5	177,436	188,784
Deferred income taxes	6	4,915	2,124
Total non-current assets		182,351	190,908
Total assets		$ 210,292	$ 220,014

Liabilities and Stockholders' equity

	Note	2019	2018
Current liabilities:			
Due to related parties	10	$ 1	$ 148,070
Trade accounts payable		-	990
Other accounts payable and accrued liabilities		2,213	2,776
Total current liabilities		2,214	151,836
Non-current liabilities:			
Due to related parties		141,486	-
Total non-current liabilities		141,486	-
Total liabilities		143,700	151,836
Stockholders' equity:			
Capital stock	8	96,000	96,000
Deficit		(29,408)	(27,822)
Total stockholders' equity		66,592	68,178
Total stockholders' equity and liabilities		$ 210,292	$ 220,014

See accompanying notes to the financial statements.

Santa Maria Offshore Limited
(Subsidiary of Grupo Creatica, S. A. de C. V.)

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

	Note	2019	2018
Continuing operations:			
Revenue from operating lease	10	$ 24,657	$ 25,734
Operating cost	9	303	1,201
Depreciation of assets under operating leases	5	16,234	13,161
Gross profit		8,120	11,372
Other expense (income), net		-	8
Interest expenses, net	10	12,496	11,878
Exchange loss, net		2	14
Loss before income taxes		(4,378)	(528)
Deferred income tax benefit	6	(2,792)	(1,047)
(Loss) Profit for the year		$ (1,586)	$ 519

See accompanying notes to the financial statements.

Santa Maria Offshore Limited
(Subsidiary of Grupo Creatica, S. A. de C. V.)

Statement 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	$ 96,000	$ (28,341)	$ 67,659
Profit for the year	-	519	519
Balance as of December 31, 2018	96,000	(27,822)	68,178
Loss for the year	-	(1,586)	(1,586)
Balance as of December 31, 2019	$ 96,000	$ (29,408)	$ 66,592

See accompanying notes to the financial statements.

Santa Maria Offshore Limited
(Subsidiary of Grupo Creatica, S. A. de C. V.)

Statement of Cash Flows

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

	2019	2018
Cash flows from operating activities		
(Loss) profit for the year	$ (1,586)	$ 519
Adjustments for:		
Deferred income tax benefit	(2,792)	(1,047)
Depreciation	16,234	13,161
Exchange loss	2	14
Interest expense	12,496	11,878
	24,354	24,525
Changes in working capital:		
(Increase) decrease in:		
Due from related parties	(1,085)	186
Other accounts receivables	1,345	651
Prepaid expenses	933	(833)
(Decrease) increase in:		
Trade accounts payable	(990)	990
Due to related parties	(6,583)	(10,488)
Other accounts payable and accrued liabilities	(563)	1,026
Net cash flows provided by operating activities	17,411	16,057
Cash flows from investing activities:		
Purchase of equipment	(4,887)	(4,190)
Net cash flows used in investing activities	(4,887)	(4,190)
Cash flows from financing activities:		
Interest paid	(12,496)	(11,878)
Net cash flows used in financing activities	(12,496)	(11,878)
Net increase (decrease) in cash	28	(11)
Cash at the beginning of the year	11	22
Cash at the end of the year	$ 39	$ 11

See accompanying notes to the financial statements.

Notes to the Financial Statements

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

1. Activity

Santa Maria Offshore Limited (the "Entity") was incorporated as a Bermuda exempted company on June 6, 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 activity of the Entity is the leasing of a Jack-up ("Santa Maria") for oil and gas drilling to Constructora y Perforadora Latina, S. A. de C. V., ("CP Latina") the indirect parent Entity incorporated in Mexico.

The Entity provides services exclusively to a related party. Accordingly, the accompanying 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. Basis of presentation

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

In the current year, the Entity has applied a number of amendments to IFRSs and new Interpretation 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 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 rights 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 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 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.

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.

b. ***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 where actually updates and are effective for annual periods beginning on or after January 1, 2020, with early application permitted.

3. Significant accounting policies

a. *Statement of compliance*

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

b. *Basis of preparation*

The accompanying 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. *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.

d. ***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 7.

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.

e. ***Cash***

Consists mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash. Cash is stated at nominal value.

f. ***Jack-up and equipment***

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

Jack-up 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 for on a prospective basis.

Items of Jack-up 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 the disposal or retirement of an item of items of Jack-up and equipment is 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 live of Jack-up is a:

	Years
Jack-up	17

During 2018 the Entity reviewed the useful lives of the Jack-up, having a decrease in the depreciation expense in the amount of $ 6,038.

g. ***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 a 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.

h. ***Leasing***

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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.

i. ***Foreign currencies***

In preparing the financial statements, 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	December 31, 2018
Mexican pesos per one US dollar	$ 18.8452	$ 19.6829

j. ***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.

k. ***Income taxes***

Income tax expense represents the sum of the tax currently payable 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 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.

l. ***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.

m. ***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. ***Statement of cash flows***

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

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in Note 3, 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 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-up and equipment to the lease by the end of the lease term.
  b) The lease does not contain an option to purchase the Jack-up and equipment.
  c) The lease term does not represent a substantial portion of the economic life of the Jack up and equipment.
  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-up and equipment.
  e) The leased Jack-up and equipment 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 Jack-up and equipment 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 2019 and 2018. The Entity expects to amortize tax losses against tax profits generated from subsequent years, with the normal operations of its Jack-up.

5. Jack-up and equipment

	Balance as of December 31, 2018	Additions	Transfers/Disposals	Balance as of December 31, 2019
Investments				
Jack-up	$ 264,050	$ 1,650	$ 2,734	$ 268,434
Computers	67	-	-	67
Spare parts	5,295	3,227	(2,734)	5,788
	269,412	4,877	-	274,289
Depreciation				
Jack-up	(80,561)	(16,234)	9	(96,786)
Computers	(67)	-	-	(67)
	(80,628)	(16,234)	9	(96,853)
Total investments, net	$ 188,784	$ (11,357)	$ 9	$ 177,436

	Balance as of December 31, 2017	Additions	Transfers/Disposals	Balance as of December 31, 2018
Investments				
Jack-up	$ 261,321	$ 2,737	$ (8)	$ 264,050
Computers	67	-	-	67
Spare parts	3,842	1,453	-	5,295
Vehicles	140	-	(140)	-
	265,370	4,190	(148)	269,412
Depreciation				
Jack-up	(67,431)	(13,138)	8	(80,561)
Computers	(67)	-	-	(67)
Vehicles	(117)	(23)	140	-
	(67,615)	(13,161)	148	(80,628)
Total investments, net	$ 197,755	$ (8,971)	$ -	$ 188,784

On October 11, 2014, Latina Offshore Limited (parent Entity) issued an International Bond, as of December 31, 2019 the balance is in the amount of $298,018. The rig owned by the Entity is pledged as collateral under the Bond.

6. 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. The current rate of ISR is 30%.

a. ***Income tax recognized in loss***

	2019	2018
Deferred tax		
In respect of the current year	$ (2,792)	$ (1,047)

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

	2019	2018
Statutory rate	30%	30%
Effects of inflation	15%	67%
Other	19%	101%
Effective rate	64%	198%

b. ***Deferred tax in statement of financial position***

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

	2019	2018
Deferred ISR assets:		
Effect of tax loss carryforwards	$ 2,299	$ 6,912
Jack-ups and equipment	2,614	-
Provisions	8	7
Deferred ISR assets	4,921	6,919
Deferred ISR liabilities:		
Prepaid expenses	(6)	497
Jack-ups and equipment	-	(5,292)
Deferred ISR liabilities	(6)	(4,795)
Net asset	$ 4,915	$ 2,124

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
2026	$ 7,662
	$ 7,662

7. 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 shareholders 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.

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 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**
Non-interest rate bearing	-	$ -	$ -	$ -	$ -	$ -
Fixed interest rate instruments	9.5%	-	-	178,394	178,394	141,487
		$ -	$ -	$ 178,394	$ 178,394	$ 141,487

	December 31, 2018					
	Weighted average effective interest rate %	**1-6 months**	**6 months to 1 year**	**1 - 5 years**	**Total**	**Carrying amount**
Non-interest rate bearing	-	$ 990	$ -	$ -	$ 990	$ 990
Fixed interest rate instruments	9.5%	-	148,070	-	148,070	148,070
		$ 990	$ 148,070	$ -	$ 149,060	$ 149,060

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).

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 (Level 1)	$	39	$	39
Due from related parties (Level 2)		26,656		26,656
Financial liabilities held at amortized cost:				
Due to related parties (Level 2)	$	141,487	$	127,767

		Carrying amount		Fair value at December 31, 2018
Financial assets:				
Cash (Level 1)	$	11	$	11
Due from related parties (Level 2)		25,571		25,571
Financial liabilities:				
Trade accounts payable (Level 2)	$	990	$	990
Financial liabilities held at amortized cost:				
Due to related parties (Level 2)	$	148,070	$	148,070

Management believes that the carrying value of receivables and payables to related parties approximate their fair values based on their nature and short-term maturities. Entity's management determined the fair value of payables to related parties, which is a level 2 input.

8. Stockholders' equity

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

	Number of shares 2019 and 2018		Amount 2019 and 2018
Fixed:			
Series A	100	$	-
Variable:			
Series A	96,000,000		96,000
	96,000,100	$	96,000

Common stock consists of ordinary, nominative shares with par value of 1 US dollar.

9. Operating cost by nature

		2019		2018
Insurance	$	230	$	1,122
Services		73		79
	$	303	$	1,201

10. Balances and transactions with related parties

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

		2019		2018
Operating lease revenues	$	24,657	$	25,734
Purchases of spare parts and tools	$	(4,877)	$	(4,190)
Other expenses	$	(29)	$	(36)
Interest expenses	$	(12,496)	$	(11,878)

b. Balances with related parties are as follows:

	2019	2018
Due from related parties -		
CP Latina	$ 26,656	$ 25,571
Due to related parties -		
Short term:		
Servicios Corporativos Latina S.A. de C.V.	$ 1	$ 3
Latina Offshore Limited [1]	-	148,067
	$ 1	$ 148,070
Long term:		
Latina Offshore Limited [1]	141,486	148,067
	$ 141,486	$ 148,070

[1] Includes a loan of $140,000, bearing interest, payable on semi-annual basis, at 9.50% rate. In 2019, the maturity of the loan was extended to expire in October 2022.

11. 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.

12. Authorization to issue the financial statements

On April 27, 2020, the issuance of the accompanying financial statements was authorized by C. P. C. Miguel Ruiz Tapia, Chief Executive Officer; 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 financial statements for the year ended December 31, 2018 were approved at the Annual Ordinary Stockholders’ Meeting held on April 28, 2019.

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