

Santa Maria Offshore Limited
(Subsidiary of Latina Desarrollos
Energéticos, S. A. de C. V.)

Financial Statements for the Years
Ended December 31, 2020 and
2019, **and Independent Auditors'**
Report Dated April 30, 2021



Santa Maria Offshore Limited
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Independent **Auditors' Report and** Financial Statements for 2020 and 2019

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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, 2020 and 2019, and the statements of operations, 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, 2020 and 2019, its financial performance and its 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 Matters

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 mention in Note 1 to the financial statements, Management has disclosed the effects caused by the COVID-19 pandemic on its operation and finance; as well as, it discloses the actions that Management has taken for mitigation those effects and describes the effects Covid-19 has led on its financial situation for such contingency as of the date of issuance of this financial statements. 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.



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.

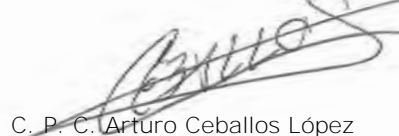
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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. Arturo Ceballos López

April 30, 2021



Santa Maria Offshore Limited
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Statement of Financial Position

As of December 31, 2020 and 2019
(In thousands of US dollars)

Assets	Note	2020	2019
Current assets:			
Cash		\$ 7	\$ 39
Due from related parties	10	28,078	26,656
Other accounts receivable		1,001	1,227
Prepaid expenses, net		<u>20</u>	<u>19</u>
Total current assets		29,106	27,941
Non-current assets:			
Jack-up and equipment, net	5	167,715	177,436
Deferred income taxes	6	<u>7,393</u>	<u>4,915</u>
Total non-current assets		<u>175,108</u>	<u>182,351</u>
Total assets		<u>\$ 204,214</u>	<u>\$ 210,292</u>
Liabilities and Stockholders' equity			
Current liabilities:			
Due to related parties	10	\$ -	\$ 1
Trade accounts payable		20	-
Other accounts payable and accrued liabilities		<u>1,985</u>	<u>2,213</u>
Total current liabilities		2,005	2,214
Non-current liabilities:			
Due to related parties		<u>143,593</u>	<u>141,486</u>
Total non-current liabilities		143,593	141,486
Total liabilities		145,598	143,700
Stockholders' equity:			
Capital stock	8	96,000	96,000
Accumulated deficit		<u>(37,384)</u>	<u>(29,408)</u>
Total stockholders' equity		<u>58,616</u>	<u>66,592</u>
Total stockholders' equity and liabilities		<u>\$ 204,214</u>	<u>\$ 210,292</u>

See accompanying notes to the financial statements.



Santa Maria Offshore Limited
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Statements of Operations

For the years ended December 31, 2020 and 2019
(In thousands of US dollars)

	Note	2020	2019
Continuing operations:			
Revenue from operating lease	10	\$ 16,774	\$ 24,657
Operating cost	9	60	303
Depreciation of assets under operating leases	5	<u>14,710</u>	<u>16,234</u>
Gross profit		2,004	8,120
Interest expenses, net	10	12,425	12,496
Exchange loss, net		<u>33</u>	<u>2</u>
Loss before income taxes		(10,454)	(4,378)
Deferred income tax benefit	6	<u>(2,478)</u>	<u>(2,792)</u>
Loss for the year		<u>\$ (7,976)</u>	<u>\$ (1,586)</u>

See accompanying notes to the financial statements.



Santa Maria Offshore Limited
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Statement of Changes in Stockholders' Equity

For the years ended December 31, 2020 and 2019

(In thousands of US dollars)

	Capital Stock	Accumulated deficit	Total stockholders' equity
Beginning balance as of January 1, 2019	\$ 96,000	\$ (27,822)	\$ 68,178
Loss for the year	<u>-</u>	<u>(1,586)</u>	<u>(1,586)</u>
Balance as of December 31, 2019	96,000	(29,408)	66,592
Loss for the year	<u>-</u>	<u>(7,976)</u>	<u>(7,976)</u>
Balance as of December 31, 2020	<u>\$ 96,000</u>	<u>\$ (37,384)</u>	<u>\$ 58,616</u>

See accompanying notes to the financial statements.



Santa Maria Offshore Limited
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Statement of Cash Flows

For the years ended December 31, 2020 and 2019

(In thousands of US dollars)

	2020	2019
Cash flows from operating activities		
Loss for the year	\$ (7,976)	\$ (1,586)
Adjustments for:		
Deferred income tax benefit	(2,478)	(2,792)
Depreciation	14,709	16,234
Exchange loss	33	2
Interest expenses	<u>12,425</u>	<u>12,496</u>
	16,713	24,354
Changes in working capital:		
(Increase) decrease in:		
Due from related parties	(1,422)	(1,085)
Other accounts receivables	226	1,345
Prepaid expenses	(1)	933
(Decrease) increase in:		
Trade accounts payable	20	(990)
Due to related parties	2,106	(6,583)
Other accounts payable and accrued liabilities	<u>(261)</u>	<u>(563)</u>
Net cash flows generated by operating activities	17,381	17,411
Cash flows from investing activities:		
Purchase of equipment	<u>(4,988)</u>	<u>(4,887)</u>
Net cash flows used in investing activities	(4,988)	(4,887)
Cash flows from financing activities:		
Interest paid	<u>(12,425)</u>	<u>(12,496)</u>
Net cash flows used in financing activities	(12,425)	(12,496)
Net (decrease) increase in cash	(32)	28
Cash at the beginning of the year	<u>39</u>	<u>11</u>
Cash at the end of the year	<u>\$ 7</u>	<u>\$ 39</u>

See accompanying notes to the financial statements.



Santa Maria Offshore Limited
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(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 is Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V. 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.

Significant events

a) **Changes to the leases with CPL Latina of Santa Maria**

During 2020, the fees derived from the amending agreements previously signed in leasing of Santa María and applied a daily fee of \$82 for the period from January 1 to June 30, 2020

b) **COVID-19**

During the first months of 2020, the infectious disease COVID-19 caused by the coronavirus appeared, which was declared by the World Health Organization (WHO) as a Global Pandemic on March 11, 2020, its recent global expansion has motivated a series of containment measures in the geography where the Entity operates and certain sanitary measures have been taken by the Mexican authorities to stop the spread of this virus. Management has carried out an analysis of the probable impact that they could have on its financial information derived from the temporary suspension of the platform, reduction in rates, breaches of contractual agreements, exchange fluctuations or changes in interest rates, mainly, and concluding the following about the evaluation carried out:

- **Liquidity risk.** The general situation of the markets may cause a general increase in liquidity tensions in the economy, as well as a contraction of the credit market. Due to the Entity's income comes exclusively to a related party, there has not been effect on the Entity's liquidity, due to the fact that the duration of the pandemic is still uncertain, Management cannot measure the impacts with certainty, without However, Management does not expect any material impact due to the current operation.



- **Operational impacts.**
 - Santa Maria had a temporary suspension from August 5, 2020 to January 6, 2021. On January 7, 2021 this Jack-up resumed operation. The Entity did not received revenue during that period, as of the date of these financial statements the operation remains unchanged and the Entity does not expect similar events in the future.
 - During 2020 and as a result of the pandemic, the Entity and CPL Latina signed amending agreements in the leases where it was agreed that:
 - Santa Maria will apply a daily fee of \$50, for the period July 1, 2020 to December 31, 2021
 - Beginning January 1, 2022, Santa Maria Jack up will return to the indexing mechanism established in the amending agreements signed in 2018,
 - The credit period was increased from 90 days to 180 days from 1 July 2020 to 31 December 2020,
 - The Santa Maria Jack-up extended the contract expiration date from April 1, 2023 to March 31, 2024

In addition, the Entity, as well as the industry, has a very high maturity level with respect to occupational safety and health and has therefore implemented the highest control standards to mitigate the effects of COVID-19, i) modifying the turnover of offshore staff, (ii) regularly sanitizing facilities, (iii) establishing medical examinations to personnel working offshore before climbing and during their offshore stay, and (iv) formalizing a response plan if there is any indication that staff may be infected with COVID-19.

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, 2020.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.



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:

Amendments to IAS 1	<i>Classifications as current liabilities or non-current liabilities</i>
Amendments to IFRS 3	<i>References to the conceptual framework</i>
Amendments to IAS 16,	<i>Property, Plant and Equipment - before being used</i>
Amendments to IAS 37	<i>Onerous contracts - costs of fulfilling a contract</i>

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:

Amendments to IAS Classification of Circulant liabilities and Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3, References to the conceptual framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the modifications add an explicit statement that the buyer will not recognize a contingent asset acquired from a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 - Property, Plant and Equipment - Before use.

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.



The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 – Onerous Contracts – Cost for Fulfilling a Contract

The amendments specify that the 'costs for fulfilling' a contract includes the 'costs directly related to the contract'. Costs that relate directly to a contract consist of incremental costs and costs for fulfilling a contract (example: labor or materials) and the allocation of other costs that relate directly to fulfill a contract (such as assigning depreciation to property, plant, and equipment items to fulfill the contract).

The amendments apply to contracts in which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the changes. Comparisons should not be reformulated. Instead, the entity must recognize the cumulative effect of the initial application of the changes as an adjustment to the balance sheet on the retained profits or some other capital component, as appropriate, for the initial application date.

Modifications are effective for annual periods starting on or after January 1, 2022, with an early application option.

c. *Annual Improvements to IFRS Standards 2018–2020*

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.



IFRS 9 Financial Instruments

The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date, the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

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

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.



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

	December 31,	
	2020	2019
Mexican pesos per one US dollar	\$ <u>19.9487</u>	\$ <u>18.8452</u>

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.

1. ***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.

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:

- The lease does not transfer ownership of the Jack-up and equipment to the lease by the end of the lease term.
- The lease does not contain an option to purchase the Jack-up and equipment.
- The lease term does not represent a substantial portion of the economic life of the Jack up and equipment.
- 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.
- The leased Jack-up and equipment can be used by another interested party without major modifications.

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 2020 and 2019. 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, 2019	Additions	Transfers/Disposals	Balance as of December 31, 2020
Investments				
Jack-up	\$ 268,434	\$ 2,960	\$ 5,788	\$ 277,182
Computers	67	-	-	67
Spare parts	<u>5,788</u>	<u>2,028</u>	<u>(5,788)</u>	<u>2,028</u>
	274,289	4,988	-	279,277
Depreciation				
Jack-up	(96,786)	(14,709)	-	(111,495)
Computers	<u>(67)</u>	<u>-</u>	<u>-</u>	<u>(67)</u>
	<u>(96,853)</u>	<u>(14,709)</u>	<u>-</u>	<u>(111,562)</u>
Total investments, net	<u>\$ 177,436</u>	<u>\$ (9,721)</u>	<u>\$ -</u>	<u>\$ 167,715</u>
	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	<u>5,295</u>	<u>3,227</u>	<u>(2,734)</u>	<u>5,788</u>
	269,412	4,877	-	274,289



	Balance as of December 31, 2018	Additions	Transfers/Disposals	Balance as of December 31, 2019
Depreciation				
Jack-up	(80,561)	(16,234)	9	(96,786)
Computers	<u>(67)</u>	<u>-</u>	<u>-</u>	<u>(67)</u>
	<u>(80,628)</u>	<u>(16,234)</u>	<u>9</u>	<u>(96,853)</u>
Total investments, net	<u>\$ 188,784</u>	<u>\$ (11,357)</u>	<u>\$ 9</u>	<u>\$ 177,436</u>

On October 11, 2014, Latina Offshore Limited (parent Entity) issued an International Bond, as of December 31, 2020 the balance is in the amount of \$287,349. 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*

	2020	2019
Deferred tax		
In respect of the current year	<u>\$ (2,478)</u>	<u>\$ (2,792)</u>

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:

	2020	2019
Deferred ISR assets:		
Effect of tax loss carryforwards	\$ 2,349	\$ 2,299
Jack-ups and equipment	5,043	2,614
Provisions	<u>7</u>	<u>8</u>
Deferred ISR assets	7,399	4,921
Deferred ISR liabilities:		
Prepaid expenses	<u>(6)</u>	<u>(6)</u>
Deferred ISR liabilities	<u>(6)</u>	<u>(6)</u>
Net asset	<u>\$ 7,393</u>	<u>\$ 4,915</u>

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, 2020, are:

Year of expiration	Tax loss Carryforwards
2026	\$ 7,465
2030	<u>366</u>
	<u>\$ 7,831</u>



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, 2020 and 2019 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, 2020						
	Weighted average effective interest rate %	1-6 months	6 months to 1 year	1 - 5 years	Total	Carrying amount
Fixed interest rate instruments	9.5%	\$ -	\$ -	\$ 185,710	\$ 185,710	\$ 143,593
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,710</u>	<u>\$ 185,710</u>	<u>\$ 143,593</u>
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	9.5%	\$ -	\$ -	\$ 178,394	\$ 178,394	\$ 141,486
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,394</u>	<u>\$ 178,394</u>	<u>\$ 141,486</u>



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, 2020
Financial assets:		
Cash (Level 1)	\$ 7	\$ 7
Due from related parties (Level 2)	28,078	28,078
Financial liabilities held at amortized cost:		
Due to related parties (Level 2)	\$ 143,593	\$ 143,593
	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	\$ 141,487

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 2020 and 2019	Amount 2020 and 2019
Fixed:		
Series A	100	\$ -
Variable:		
Series A	<u>96,000,000</u>	<u>96,000</u>
	<u>96,000,100</u>	<u>\$ 96,000</u>

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

9. Operating cost by nature

	2020	2019
Insurance	\$ -	\$ 230
Services	<u>60</u>	<u>73</u>
	<u>\$ 60</u>	<u>\$ 303</u>

10. Balances and transactions with related parties

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

	2020	2019
Operating lease revenues	<u>\$ 16,774</u>	<u>\$ 24,657</u>
Purchases of spare parts and tools	<u>\$ (4,988)</u>	<u>\$ (4,877)</u>
Other expenses	<u>\$ (27)</u>	<u>\$ (29)</u>
Interest expenses	<u>\$ (12,425)</u>	<u>\$ (12,496)</u>

- b. Balances with related parties are as follows:

	2020	2019
Due from related parties - CP Latina	<u>\$ 28,078</u>	<u>\$ 26,656</u>
Due to related parties - Short term:		
Servicios Corporativos Latina S. A. de C. V.	<u>\$ -</u>	<u>\$ 1</u>
Long term:		
Latina Offshore Limited ⁽¹⁾	<u>143,593</u>	<u>141,486</u>
	<u>\$ 143,593</u>	<u>\$ 141,487</u>

- ⁽¹⁾ Includes a loan of \$140,000, bearing interest, payable on semi-annual basis, at 9.50% rate. In 2020, the maturity of the loan was extended to expire in March 2024.



11. Authorization to issue the financial statements

On April 30, 2021, 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, 2019 were approved at the Annual Ordinary Stockholders' Meeting held on March 12, 2021.

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