Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2020, 2019 and 2018, and Independent Auditors' Report Dated February 15, 2021

Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

Independent Auditors' Report and Consolidated Financial Statements for 2020, 2019 and 2018

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Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Paseo de la Reforma 505, piso 28
Colonia Cuauhtémoc
06500 Ciudad de México
México

Tel: +52 (55) 5080 6000
www.deloitte.com/mx

Independent Auditors' Report to the Board of Directors and Stockholders of Corporación Inmobiliaria Vesta, S. A. B. de C. V. (in US dollars)

Opinion

We have audited the consolidated financial statements of Corporación Inmobiliaria Vesta, S. A. B. de C. V. and subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2020, 2019 and 2018, and the consolidated statements of profit and other comprehensive income (loss), consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2020, 2019 and 2018 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). 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 ethical requirements that are relevant to our audit of the financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have concluded that the following Key Audit Matters should be communicated in our report.

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Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. The Entity uses external appraisers in order to determine the fair value for all of its investment properties. The independent appraisers use valuation techniques such as the discounted cash flows approach, replacement cost approach and income cap rate approach. The techniques used include assumptions, the majority of which are not directly observable in the market, to estimate the fair value of the Entity's investment property such as discount rates, long-term net operating income, inflation rates, absorption periods and market rents. The audit procedures performed to test investment properties were significant for our audit; for this reason, in order to test the reasonableness of the fair value of the investment properties, we involved an internal expert in valuation. As a result, our audit procedures included among others: i) testing the Entity's internal controls related to management's review of relevant assumptions used in the discounted cash flow approach, approval of construction of new investment properties as well as cash disbursements related to such construction; ii) performing detail substantive testing of the additions in investment properties made during the year; iii) performing physical inspection of some of the Entity's investment properties; iv) using the work of our internal valuation expert to test the fair value as determined by the Entity's expert of a sample of investment properties; v) performing an analytical substantive test of the fair value of the investment properties. Our procedures also included reviewing the appropriateness of the Entity's disclosures regarding the assumptions and accounting policies for the recognition of investment properties, which are included in the Note 9 to the consolidated financial statements.

Information other than the Financial Statements and Auditor's Report

Management is responsible for the other information. The other information comprises two documents, the Entity's Annual Report and the information that will be incorporated in the Annual Report which the Entity is required to prepare in accordance with Article 33 section I, subsection b) of Title Four, Chapter One, of the General Provisions Applicable to Issuers of Securities and Other Participants in the Securities Market in Mexico (the "Provisions". As of the date of our auditors' report, we have not yet obtained these documents and they will be available only after the issuance of this Audit Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the Annual Report, we will issue the legend on the reading of the annual report, as required in Article 33, Section I, subsection b) numeral 1.2 of the Provisions.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- 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 auditor's 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

C. P. C. Alexis Hernández Almanza

February 15, 2021

Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2020, 2019 and 2018
(In US dollars)

	Notes	31/12/2020	31/12/2019	31/12/2018
Assets				
Current assets:				
Cash, cash equivalents and restricted cash	5	$ 120,542,142	$ 75,063,593	$ 64,483,395
Financial assets held for trading	6	684,936	804,967	724,399
Recoverable taxes	7	14,861,110	10,365,121	26,340,810
Operating lease receivables	8	6,360,901	8,272,093	8,130,553
Prepaid expenses		420,057	1,267,893	537,428
Total current assets		142,869,146	95,773,667	100,216,585
Non-current assets:				
Investment property	9	2,103,214,762	1,989,131,091	1,884,621,430
Office furniture – Net		2,854,654	3,063,650	2,490,902
Right-of-use asset	10	657,837	1,104,036	-
Derivative financial instruments	15.8	-	163,530	2,380,863
Guarantee deposits made and restricted cash		4,506,526	4,461,865	4,376,105
Total non-current assets		2,111,233,779	1,997,924,172	1,893,869,300
Total assets		$ 2,254,102,925	$ 2,093,697,839	$ 1,994,085,885
Liabilities and stockholders' equity				
Current liabilities:				
Current portion of long-term debt	11	$ 1,923,573	$ 794,905	$ 4,513,388
Finance leases payable - short term	10	510,417	435,177	-
Accrued interest		2,832,174	2,996,611	5,315,332
Accounts payable and client advances		1,825,850	2,539,117	2,788,387
Taxes payable, mainly income taxes		3,516,026	1,458,209	412,853
Accrued expenses		4,309,640	4,452,725	3,663,962
Dividends payable	12.4	13,534,555	13,371,920	-
Total current liabilities		28,452,235	26,048,664	16,693,922
Non-current liabilities:				
Long-term debt	11	837,837,479	713,632,678	695,284,034
Finance leases payable - long term	10	220,868	729,069	-
Derivative financial instruments	15.8	4,132,836	-	-
Guarantee deposits received		13,924,249	13,255,463	13,053,384
Deferred income taxes	14.3	260,873,091	228,906,984	215,350,972
Total non-current liabilities		1,116,988,523	956,524,194	923,688,390
Total liabilities		$ 1,145,440,758	$ 982,572,858	$ 940,382,312
Litigation and other contingencies	18			

	Notes	31/12/2020	31/12/2019	31/12/2018
Stockholders' equity:				
Capital stock	12	422,437,615	426,300,951	435,613,239
Additional paid-in capital	12.3	297,064,471	303,741,438	321,021,039
Retained earnings		429,048,327	416,230,463	333,833,754
Share-based payments reserve	17	7,986,137	7,828,591	5,507,719
Foreign currency translation		(44,981,398)	(43,090,933)	(43,938,783)
Valuation of derivative financial instruments	15.8	(2,892,985)	114,471	1,666,605
Total stockholders' equity		1,108,662,167	1,111,124,981	1,053,703,573
Total liabilities and stockholders' equity		$ 2,254,102,925	$ 2,093,697,839	$ 1,994,085,885

See accompanying notes to consolidated financial statements.

Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Profit and Other Comprehensive Income (Loss)

For the years ended December 31, 2020, 2019 and 2018
(In US dollars)

	Notes	31/12/2020	31/12/2019	31/12/2018
Revenues:				
Rental income		$ 149,535,887	$ 144,292,402	$ 132,669,266
Management fees		319,446	72,677	-
Property operating costs:				
Related to properties that generated rental income	13.1	(8,925,518)	(7,266,490)	(4,848,618)
Related to properties that did not generate rental income	13.1	(1,229,137)	(874,128)	(828,082)
Gross profit		139,700,678	136,224,461	126,992,566
Administration expenses	13.2	(17,184,479)	(17,630,342)	(16,094,364)
Depreciation		(1,477,413)	(1,494,778)	(573,177)
Other income and expenses:				
Interest income		311,959	70,394	434,427
Other income - net		7,852	1,051,904	476,240
Transaction costs on debt issuance		-	-	(139,062)
Interest expense		(39,052,739)	(39,161,931)	(35,156,825)
Exchange gain (loss)- net		(171,566)	2,156,930	(719,007)
Gain on sale of investment property		-	17,920,717	-
Gain on revaluation of investment property	9	45,370,264	86,062,112	52,822,802
Total other income and expenses		6,465,770	68,100,126	17,718,575
Profit before income taxes		127,504,556	185,199,467	128,043,600
Current income tax expense	14.1	(26,150,480)	(37,670,744)	(21,892,031)
Deferred income tax	14.1	(34,397,994)	(12,918,014)	(13,091,239)
Total income tax expense		(60,548,474)	(50,588,758)	(34,983,270)
Profit for the year		66,956,082	134,610,709	93,060,330
Other comprehensive income (loss) - net of tax:				
Items that may be reclassified subsequently to profit –				
Fair value (loss) gains on derivative instruments	15.8	(3,007,456)	(1,552,134)	1,087,529
Exchange differences on translating other functional currency operations		(1,890,465)	847,850	(6,606,220)
Total other comprehensive income (loss)		(4,897,921)	(704,284)	(5,518,691)
Total comprehensive income for the year		$ 62,058,161	$ 133,906,425	$ 87,541,639
Basic and diluted earnings per share	12.5	$ 0.117	$ 0.229	$ 0.155

See accompanying notes to consolidated financial statements.

Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2020, 2019 and 2018
(In US dollars)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Share-Based Payments Reserve	Foreign Currency Translation	Valuation of Derivative financial instruments	Total Stockholders' Equity
Balances as of January 1, 2018	$ 439,843,107	$ 327,270,539	$ 288,671,405	$ 3,300,560	$ (37,332,563)	$ 579,076	$ 1,022,332,124
Share-based payments	-	-	-	2,984,358	-	-	2,984,358
Vested shares	297,786	479,413	-	(777,199)	-	-	-
Dividends declared	-	-	(47,897,981)	-	-	-	(47,897,981)
Repurchase of shares	(4,527,654)	(6,728,913)	-	-	-	-	(11,256,567)
Comprehensive income (loss)	-	-	93,060,330	-	(6,606,220)	1,087,529	87,541,639
Balances as of December 31, 2018	435,613,239	321,021,039	333,833,754	5,507,719	(43,938,783)	1,666,605	1,053,703,573
Share-based payments	-	-	-	3,631,933	-	-	3,631,933
Vested shares	507,966	803,095	-	(1,311,061)	-	-	-
Dividends declared	-	-	(52,214,000)	-	-	-	(52,214,000)
Repurchase of shares	(9,820,254)	(18,082,696)	-	-	-	-	(27,902,950)
Comprehensive income (loss)	-	-	134,610,709	-	847,850	(1,552,134)	133,906,425
Balances as of December 31, 2019	426,300,951	303,741,438	416,230,463	7,828,591	(43,090,933)	114,471	1,111,124,981
Share-based payments	-	-	-	4,413,135	-	-	4,413,135
Vested shares	1,238,891	3,016,698	-	(4,255,589)	-	-	-
Dividends declared	-	-	(54,138,218)	-	-	-	(54,138,218)
Repurchase of shares	(5,102,227)	(9,693,665)	-	-	-	-	(14,795,892)
Comprehensive income (loss)	-	-	66,956,082	-	(1,890,465)	(3,007,456)	62,058,161
Balances as of December 31, 2020	$ 422,437,615	$ 297,064,471	$ 429,048,327	$ 7,986,137	$ (44,981,398)	$ (2,892,985)	$ 1,108,662,167

See accompanying notes to consolidated financial statements.

Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2020, 2019 and 2018
(In US dollars)

	31/12/2020	31/12/2019	31/12/2018
Cash flows from operating activities:			
Profit before income taxes	$ 127,504,556	$ 185,199,467	$ 128,043,600
Adjustments:			
Depreciation	1,031,214	1,035,538	573,177
Right-of-use depreciation	446,199	459,240	-
Gain on revaluation of investment property	(45,370,264)	(86,062,112)	(52,822,802)
Unrealized effect of foreign exchange rates	171,566	(2,156,930)	719,007
Interest income	(311,959)	(70,394)	(434,427)
Interest expense	37,924,366	36,433,726	33,831,263
Amortization of debt issuance costs	1,128,373	2,728,205	1,325,562
Expense recognized in respect of share-based payments	3,678,097	2,788,939	1,942,810
Gain on sale of investment property	-	(17,920,717)	-
Working capital adjustments:			
(Increase) decrease in:			
Operating lease receivables - Net	1,911,192	(141,540)	(2,909,036)
Recoverable taxes	(4,495,989)	(4,558,054)	(8,943,674)
Prepaid expenses	847,836	(730,465)	(167,753)
Increase (decrease) in:			
Accounts payable and client advances	(713,267)	684,301	(2,227,350)
Accrued expenses	(143,085)	1,631,753	884,310
Income taxes paid	(24,092,663)	(16,091,645)	(12,542,218)
Net cash generated by operating activities	99,516,172	103,229,312	87,272,469
Cash flows from investing activities:			
Acquisition of investment property	(72,523,331)	(106,376,406)	(137,897,718)
Sale of investment property	-	109,260,000	-
Acquisition of office furniture	(822,218)	(1,608,286)	(1,195,300)
Financial assets held for trading	120,031	(80,568)	(46,571)
Interest received	311,959	70,394	434,427
Net cash (used in) generated by investing activities	(72,913,559)	1,265,134	(138,705,162)
Cash flows from financing activities:			
Guarantee deposits collected	668,786	202,080	1,513,911
Guarantee deposits paid	(44,661)	(85,760)	64,058
Interest paid	(37,986,844)	(38,606,429)	(32,288,118)
Loans obtained	125,000,000	225,000,000	116,600,000
Repayments of borrowings	(794,904)	(210,000,000)	(123,019)
Dividends paid	(53,975,583)	(39,444,748)	(47,897,981)
Repurchase of treasury shares	(14,795,892)	(27,902,950)	(11,256,567)
Finance leases payments	(534,920)	(545,048)	-
Debt issuance costs	-	(3,098,044)	-
Net cash generated by (used in) financing activities	17,535,982	(94,480,899)	26,612,284
Effects of exchange rates changes on cash	1,339,954	566,651	(1,697,905)
Net increase in cash, cash equivalents and restricted cash	45,478,549	10,580,198	(26,518,314)
Cash, cash equivalents and restricted cash at the beginning of year	75,798,905	65,218,707	91,737,021
Cash, cash equivalents and restricted cash at the end of year - Note 5	$ 121,277,454	$ 75,798,905	$ 65,218,707

See accompanying notes to consolidated financial statements.

1. General information

Corporación Inmobiliaria Vesta, S. A. B. de C. V. ("Vesta" or the "Entity") is a corporation incorporated in Mexico. The address of its registered office and principal place of business is Paseo de los Tamarindos 90, 28th floor, Mexico City.

Vesta and subsidiaries (collectively, the "Entity") are engaged in the development, acquisition and operation of industrial buildings and distribution facilities that are rented to corporations in eleven states throughout Mexico.

1.1 Significant event

As a result of the spread of the coronavirus (COVID-19) in Mexico and around the world, Vesta successfully maintained during 2020 the disciplined execution of strategies, which included rapidly adapting to the current environment and providing temporary relief to clients supported by strong relationships and its strong knowledge of the market. This allowed Vesta to quickly and timely identify emerging trends and seize new business opportunities.

As part of negotiations with clients, Vesta only granted deferral of leases payments for those tenants who met certain strict criteria, focusing that decision on long-term growth. In total, there were 43 deferral agreements that represented approximately $5.5 million, of which 84% were recovered during the second half of the year and 16% will be recovered during 2021; agreements and payments have been fulfilled. It is important to note that, as of September 30, 2020, 95% of Vesta's tenants had reached pre-crisis operating levels and, at the end of the year, all are at normal levels.

The economic trends of the real estate market in Mexico, and specifically the industrial real estate market, were not materially affected by the pandemic. See Note 9 "Investment Properties" for further details. Finally, from an internal point of view, Vesta continued with its surveillance measures and cost reduction, review of contracts with non-essential third parties and constant monitoring of its performance.

2. Adoption of new and revised International Financial Reporting Standards

In the current period, the Entity has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2020

Initial impact of the application of the Interest Rate Benchmark Reform (Amendment to IFRS 9, IAS 39, and IFRS 7)

In September 2019, the IASB issued the Interest Rate Benchmark Reform document (amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for the affected hedges during the uncertainty period before the hedge of items or instruments affected by the current interest rate benchmark is modified as result of ongoing reforms of the interest rate benchmark.

These modifications are not relevant for the Entity since it applies hedge accounting to its exposure to reference interest rates. The impacts of the modifications applied to the Entity's accounting are as follows:

- The Entity has a variable rate of debt, indexed to IBOR, which hedges cash flows using interest rate swaps.

- The Entity will retain the accumulated gains or losses by reserving the hedging of cash flows designated to cash flows that are subject to the Interest Rate Benchmark Reform, even though there is some uncertainty about the Interest Rate Benchmark Reform regarding the time and quantity of the cash flow hedged items. The Entity must consider that future cash flow hedges are not expected to occur due to reasons other than those of the Interest Rate Benchmark Reform, accumulated gains or losses will be immediately reclassified to results.

The amendments also introduce a new disclosure requirement by IFRS 7 for hedging relationships that are subject to exceptions introduced by the amendment to IFRS 9.

Initial impact of concessions applied to Lease under IFRS 16 related to the effects of COVID-19

In May 2020, the IASB issued the amendment to IFRS 16*, COVID-19-Related Rent Concessions* that provides practical resources for rent concessions of lessee that occurred as a direct consequence of COVID-19, thus introducing a practical expedient for IFRS 16. The practical expedient allows a lessee the choice to assess whether a lease concession related to COVID-19 is a lease modification. The lessee making this choice should account for any change in lease payments resulting from the lease concession related to COVID-19 applying IFRS 16 as if the change were not a modification to the lease.

The practical expedient only applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic 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 due on or before June 30, 2021 (a rental concession meets this condition if it results in a reduction in payments before June 30, 2021 or increases lease payments after June 30, 2021); and
c) There is no substantive change to other terms and conditions of the lease.

During the year, the Entity did not apply the amendments to IFRS 16 (as issued by the IASB in May 2020) in advance.

Initial impact of the application of other new and modified IFRS that are effective for the fiscal years and reporting periods beginning on or after January 1, 2020

In the current year, the Entity has applied a number of amendments to IFRS Standards issued by the IASB that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to references to the Conceptual Framework in IFRS Standards	The Entity has adopted the amendments included in *Amendments to references to the Conceptual Framework in IFRS Standards* for the first time this year. The amendments include derivative amendments to the affected standards that now refer to the new *Conceptual Framework*. Not all amendments, however, update such pronouncements with respect to references and phrases to the *Conceptual Framework* that refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the *Conceptual Framework* they refer to (the IASC *Conceptual Framework* adopted by the IASB in 2001, the IASB *Conceptual Framework* from 2010, or the new and revised *Conceptual Framework* from 2018) or to indicate the definitions of standards that have not been updated with the new definitions developed in the revised *Conceptual Framework.*

	The standards that have had modifications are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32
Amendments to IAS 1 and IAS 8 Definition of materiality	The Entity has adopted the amendments to IAS 1 and IAS 8 in the year. The amendments made the definition of "material" in IAS 1 easier to understand and it is not intended to alter the underlying concept of materiality in IFRS. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold of materiality influencing users has been changed from 'could influence' to 'reasonably expected to influence'. The definition of "material" in IAS 8 has been replaced by a reference to the definition in IAS 1. In addition, the IASB modified other standards and the *Conceptual Framework* to contain a definition of "material" to ensure consistency.

New and amended IFRS Standards that are not yet effective

As of the issue date of these consolidated financial statements, the Entity has not applied the following new and modified IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 1	*Classification of liabilities as current or non-current*
Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment — Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual improvements to IFRS Standards 2018-2020	*Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases.*

Management do 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 1 Classification of Liabilities as Current and Non-current

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

The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months; make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to IAS 1are applied retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application continues to be permitted.

Amendments to IFRS 3 - Reference to the Conceptual Framework

The amendments update IFRS 3 so that it can refer to the 2018 Conceptual Framework rather than the 1989 Framework. They also added a requirement that, for obligations within the scope of IAS 37, a buyer applies IAS 37 to determine whether the acquisition date is a present obligation or exists as a result of a past event. For liens that are within the scope of IFRIC 21 *Liens*, the buyer applies IFRIC 21 to determine whether the obligation gives rise to a liability to pay the levy that occurred on the acquisition date.

Finally, the amendments 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 whose acquisition date is on or after the initial period of the first annual period beginning on or after January 1, 2022. With the option of early application if the Entity also applies all other updated references (published together with the *Conceptual Framework*) at the same time or earlier application.

Amendments to IAS 16- Property, Plant and Equipment — Proceeds before Intended Use

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use, for example, income while the asset is brought to the location and the necessary conditioning is made to make it operable in the manner that is intended according to management. Instead, an entity will recognize such sales proceeds and related cost in profit or loss. The Entity measures the costs of these items in accordance with IAS 2 *Inventories*.

The amendments clarify the meaning of 'testing if an asset works properly'. Now IAS 16 specifies this as an assessment in which the physical and technical performance of the asset is capable of being used in the production or supply of goods or services, for rent or other, or administrative purposes.

If it is not presented separately in the statement of comprehensive income, the financial statements must disclose the amounts of income and costs in results related to items that are not an output from the ordinary activities of the entity, in the entry line (s) in the statement of comprehensive income where income and costs are included.

The modifications are applied retrospectively, but only to the items of property, plant and equipment that are brought to the location and conditions necessary for them to be able to operate as management has planned on or after the beginning of the period in which the financial statements of the Entity are presented, in which the amendments are applied for the first time.

The Entity must recognize the cumulative effect of the initial application of the amendments as an adjustment to the balance sheet in retained earnings (or some capital component, as appropriate) at the beginning of the first period to be presented.

The modifications are effective for annual periods beginning on January 1, 2022 with the option of early application.

Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract

The amendments specify that the ‘costs of fulfilling’ a contract include the ‘costs directly related to the contract’. The costs that are directly related to a contract consist of the incremental costs and the costs of fulfilling a contract (example: labor or materials) and the allocation of other costs that are directly related to fulfill a contract (such as the allocation of the depreciation of property, plant and equipment items to fulfill the contract).

The amendments apply to contracts in which the Entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which the Entity applies the modifications for the first time. The comparatives should not be reformulated. Instead, the Entity should recognize the cumulative effect of the initial application of the amendments as an adjustment to the balance sheet in retained earnings or some other component of equity, as appropriate, by the date of initial application.

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

Annual improvements to IFRS Standards 2018-2020

The Annual improvements include the improvement to four Standards.

IFRS 1, *First-time Adoption of International Financial Reporting Standards*

The amendment provides additional relief for the subsidiary for the first-time adoption after its parent with respect to accounting for accumulated translation differences. As a result of the amendments, a subsidiary uses the exception of IFRS 1: D16 (a) can now choose to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS, if there were no adjustments for the consolidation procedures and for the effects of business combinations in which the parent acquired the subsidiary. A similar choice is available for an associate or joint venture that uses the exception in IFRS 1: D16 (a).

The amendment is effective for periods beginning on or after January 1, 2022, with the option of early adoption.

IFRS 9, *Financial Instruments*

The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing 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.

Amendments are applied prospectively to modifications or changes that occur on or after the date, the entity first applies the amendment.

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

IFRS 16, *Leases*

The amendment removes the reimbursement of leasehold improvements by the lessor.

As the amendments to IFRS 16 are only with respect to an illustrative example, there is no set start date.

Management do not expect that the adoption of the aforementioned Standards will have a material impact on the Entity's consolidated financial statements in future periods.

3. Significant accounting policies

a. ***Statement of compliance***

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

b. ***Basis of preparation***

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

i. Historical cost

Historical cost is generally based on 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 for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, *Share-based Payments*.

In addition, for financial reporting purposes, 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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are ot based on observable market data.

iii. Going concern

The consolidated financial statements have been prepared by Management assuming that the Entity will continue to operate as a going concern.

During the first months of 2020, the infectious disease COVID-19 caused by the coronavirus appeared and it 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 different geographies where the Entity operates and certain sanitary measures have been taken by the Mexican authorities to stop the spread of this virus. Derived from the uncertainty and duration of this pandemic, the Entity analyzed the considerations mentioned in Note 1.1 to determine if the assumption of continuing as a going concern is applicable.

iv. Reclassifications

The consolidated financial statements as of December 31, 2019 have been reclassified to conform their presentation with the financial information as of December 31, 2020. The only reclassification corresponded to Dividends payable to show them in current liabilities.

c. ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of Vesta and entities (including structured entities) controlled by Vesta and its subsidiaries. Control is achieved when the Entity:

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

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

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

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

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

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

Subsidiary/Entity	Ownership percentage 2020	2019	2018	|Activity
QVC, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
QVC II, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
WTN Desarrollos Inmobiliarios de México, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
Vesta Baja California, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
Vesta Bajío, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
Vesta Queretaro, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
Proyectos Aeroespaciales, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
Vesta DSP, S. de R. L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
Vesta Management, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Provides administrative services to the Entity
Servicio de Administración y Mantenimiento Vesta, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Provides administrative services to the Entity
Enervesta, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Provides administrative services to the Entity
Trust CIB 2962	(1)	(1)	(1)	Vehicle to distribute shares to employees under the Long Term Incentive plan.

(1) Employee share trust established in conjunction with the 20-20 Long Term Incentive Plan over which the Entity exercise control.

d. ***Financial instruments***

Financial assets and financial liabilities are recognized in Vesta's statement of financial position when the Entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

e. ***Financial assets***

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.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Entity may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(i) Amortized cost and effective interest method

The effective interest method is a method for calculating the amortized cost of a debt instrument and for allocating interest income during the relevant period.

For financial assets that were not purchased or originated by credit-impaired financial assets (for example, assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts future cash inflows (including all commissions and points paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts), excluding expected credit losses, over the expected life of the debt instrument or , if applicable, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting estimated future cash flows, including expected credit losses, at the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured on initial recognition minus repayments of principal, plus the accumulated amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss. The gross book value of a financial asset is the amortized cost of a financial asset before adjusting any provision for losses.

Interest income is recognized using the effective interest effect for debt instruments subsequently measured at amortized cost and at fair value through other comprehensive income. For financial assets purchased or originated other than financial assets with credit impairment, interest income is calculated by applying the effective interest rate to the gross book value of a financial asset, except for financial assets that have subsequently suffered impairment of credit (see below). For financial assets that have subsequently deteriorated credit, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If in subsequent reporting periods the credit risk in the credit-impaired financial instrument improves, so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross book value of the financial asset.

For financial assets acquired or originated that are credit impaired, the Entity recognizes interest income by applying the effective interest rate adjusted for credit to the amortized cost of the financial asset from its initial recognition. The calculation does not return to the gross basis, even if the financial asset's credit risk subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized as gains / losses and is included in the concept "Financial income - Interest income".

(ii) *Debt instruments classified at fair value through other comprehensive income*

Corporate bonds held by the Entity are classified at Fair value through other comprehensive income. Corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the book value of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment of gains or losses (see below), and interest income calculated through the effective interest method (see (i) above) are recognized in profit or loss. The amounts that are recognized as gains or losses are the same as the amounts that would have been recognized as gains or losses if they had been measured at amortized cost. All other changes in the carrying amount at amortized cost. All other changes in the book value of these corporate bonds are recognized in other comprehensive income or accumulated under the concept of 'investment revaluation reserve'. When these corporate bonds are unknown, the accumulated gains or losses previously recognized in other comprehensive income are reclassified to income.

(iii) *Equity investments designated as Fair Value through other comprehensive income*

On initial recognition, the Entity may make an irrevocable election (instrument by instrument) to designate equity investments instruments at Fair Value through other comprehensive income. The designation at fair value through other comprehensive income is not allowed if the equity investment is held for trading or if it is a contingent consideration recognized by an acquirer in a business combination.

Equity investments instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investment revaluation reserve. Accumulated profit or loss cannot be reclassified to profit or loss at the disposal of equity investments, but is transferred to retained earnings.

Dividends from these equity investments instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "financial income" item in profit or loss for the year.

The Entity has designated all equity investments instruments that are not held for trading at fair value through other comprehensive income in the initial application of IFRS 9.

A financial asset is held for trading if:

- it has been obtained with the main objective of being sold in the short term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Entity manages together and has evidence of a recent pattern of obtaining profits in the short term; or
- it is a derivative (except for derivatives that are contractual financial guarantees or an effective hedging instrument).

(iv) Financial Assets at fair value through profit or loss

Financial assets that do not meet the criteria to be measured at amortized cost or fair value through other comprehensive income (see (i) to (iii) above) are measured at fair value through income. Specifically:

- Equity investments instruments are classified at fair value through profit or loss, unless the Entity designates an equity investment that is not held for trading or a contingent consideration arising from a business combination at fair value through other comprehensive income on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortized cost criteria or the fair value criteria through other comprehensive income (see (i) and (ii) above) are classified with fair value through income. In addition, debt instruments that meet the amortized cost criteria or the fair value criteria through other comprehensive income may be designated as fair value through income at the time of initial recognition if such designation eliminates or significantly reduces an inconsistency of measurement or recognition (called "accounting disparity") that would arise from the measurement of assets or liabilities or the recognition of gains and losses on them on different bases. The Entity has not designated any debt instrument with fair value through results.

Financial assets at FVTPL are stated at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). 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 ‘other income (expenses) - Net’ line item.

Foreign exchange *gains and losses*

The book value of financial assets denominated in a foreign currency is determined in that foreign currency and it is translated at the exchange rate at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in income under the heading “other gains and losses”;
- For debt instruments measured at fair value through other comprehensive income that are not part of a designated hedging relationship, exchange differences in the amortized cost of the debt instrument are recognized in income under the heading of “other income and losses". Other exchange differences are recognized in other comprehensive income in the investment revaluation reserve;

- For financial assets measured at fair value through results that are not part of a designated hedging relationship, exchange differences are recognized in income under "other gains and losses"; and
- For equity instruments measured at fair value through other comprehensive income, exchange differences are recognized in other comprehensive income in the investment revaluation reserve.

See the hedge accounting policy regarding foreign exchange differences where the risk component of a foreign currency for a financial asset designated as a foreign currency risk hedging instrument.

Impairment of financial assets

The Entity recognizes lifetime expected credit losses ("ECL") for operating lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, the 12-month ECL represents the portion of the expected lifetime loss that is expected to result from predetermined events in a financial instrument that are possible within 12 months of the reporting date.

(i) Significant increase in credit risk

When evaluating whether the credit risk in a financial instrument has increased significantly since initial recognition, the Entity compares the risk of a default on the financial instrument on the reporting date with the risk of a default on the financial instrument at the start date recognition. In making this evaluation, the Entity considers both quantitative and qualitative information that is reasonable and substantiated, including historical experience and prospective information that is available without unnecessary cost or effort. The forward-looking information considered includes the future prospects of the industries in which the Entity's debtors operate, obtained from reports of economic experts, financial analysts, government agencies, relevant expert groups and other similar organizations, as well as the consideration of various external sources of real information and projected economic information related to the Entity's core operations.

In particular, the following information is taken into account when evaluating whether credit risk has increased significantly since initial recognition:

- An existing or expected significant impairment in the external (if any) or internal rating of the financial instrument;
- Significant impairment in external market indicators of credit risk for a specific financial instrument, for example, a significant increase in the credit spread, credit default swap for the debtor, or the period of time or the extent to which the value fair value of a financial asset is less than its amortized cost;
- Existing or expected adverse changes in economic, financial or business conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligation;
- A current or expected significant impairment in the debtor's operating results;
- Significant increases in credit risk in other financial instruments of the same debtor;
- An existing or expected adverse change in the debtor's regulatory, economic or technological conditions that result in a significant decrease in the debtor's ability to meet its obligations.

Regardless of the result of the previous evaluation, the Entity assumes that the credit risk in a financial asset has increased significantly since the initial recognition when the contractual payments have a maturity of more than 30 days, unless the Entity has reasonable and reliable information that proves otherwise.

Despite the foregoing, the Entity assumes that the credit risk in a financial instrument has not increased significantly since the initial recognition if it is determined that the financial instrument has a low credit risk on the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low default risk,
(2) The debtor has a notable ability to meet its contractual cash flow obligations in the short term, and
(3) Adverse changes in economic and business conditions in the long term may reduce the ability of the debtor to meet its contractual cash obligations, but will not necessarily happen.

The Entity considers that a financial asset has low credit risk when the asset has an external credit rating of "investment grade" according to the globally accepted definition, or if there is no external rating available, the asset has an internal "achievable" rating. Achievable means that the counterparty has a strong financial position and there are no past amounts outstanding.

For financial guarantee contracts, the date on which the Entity becomes part of the irrevocable commitment is considered the date of initial recognition for the purposes of evaluating the impairment of the financial instrument. When evaluating whether there has been a significant increase in credit risk since the initial recognition of financial guarantee contracts, the Entity considers changes in the risk that the specified debtor will default on the contract.

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and reviews them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount has been defeated.

(ii) Definition of non-compliance

The Entity considers that the following constitutes an event of default for internal credit risk management purposes, since historical experience indicates that financial assets are not recoverable when they meet any of the following criteria:

- When the debtor breaches the financial agreements;
- Information developed internally or obtained from external sources indicates that it is unlikely that the debtor will pay its creditors, including the Entity, in full (without taking into account any guarantees that the Entity has).

Regardless of the previous analysis, the Entity considers that the default has occurred when a financial asset is more than 90 days old, unless the Entity has reasonable and reliable information to demonstrate that a later default criterion is more appropriate.

(iii) Credit Impaired Financial Assets

A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flows of that financial asset. Evidence that a financial asset is credit-impaired includes observable data on the following events:

(a) Significant financial difficulty on the part of the issuer or the debtor;
(b) The breach of a contract, such as a default or an expired event (see (ii) above);
(c) The debtor's lenders, for economic or contractual reasons related to the debtor's financial difficulty, grant the debtor a concession that the lenders would not otherwise consider;
(d) It is increasingly likely that the debtor will enter bankruptcy or some other financial reorganization; or
(e) The extinction of a functional market for the financial asset due to its financial difficulties.

(iv) *Write-off policy*

The Entity derecognizes a financial asset when there is information that indicates that the debtor is in serious financial difficulty and there is no realistic prospect of recovery, for example, when the debtor has been placed in liquidation or has entered bankruptcy, or in the case of trade receivables, when the amounts are due more than two years, whichever is earlier. Financial assets written off may still be subject to compliance activities under the Entity's recovery procedures, taking into account legal advice when appropriate. Any recovery made is recognized in profits.

(v) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, the loss given the default (that is, the magnitude of the loss if there is a default), and the exposure at default.

The evaluation of the probability of default and the default loss is based on historical data adjusted for forward-looking information as described above. Regarding exposure to default, for financial assets, this is represented by the gross book value of the assets on the reporting date; for financial guarantee contracts, the exposure includes the amount established on the reporting date, along with any additional amount expected to be obtained in the future by default date determined based on the historical trend, the Entity's understanding of the specific financial needs of the debtors, and other relevant information for the future.

For financial assets, the expected credit loss is estimated as the difference between all the contractual cash flows that are due to the Entity in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used to determine the expected credit losses are consistent with the cash flows used in the measurement of the lease receivable in accordance with IFRS 16 Leases.

For a financial guarantee contract, where the Entity is obliged to make payments only in the event of default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss forecast is the expected payment to reimburse the holder for a credit loss incurred less any amount that the Entity expects to receive from the holder, the debtor or any other party.

If the Entity has measured the provision for losses for a financial instrument in an amount equal to the expected credit loss for life in the previous reporting period, but determines, at the current reporting date, that the conditions for the loss are no longer met lifetime expected credit loss, the Entity measures the loss margin in an amount equal to the 12-month expected credit loss on the current reporting date, except for assets for which the simplified approach was used.

The Entity recognizes an impairment loss or loss in the result of all financial instruments with a corresponding adjustment to their book value through a provision for losses account, except investments in debt instruments that are measured at fair value at through other comprehensive income, for which the provision for losses is recognized in other comprehensive and accumulated results in the investment revaluation reserve, and does not reduce the book value of the financial asset in the statement of financial position.

Derecognition policy

The Entity derecognizes a financial asset only when the contractual rights to the asset's cash flows expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity does not transfer or retain substantially all the risks and benefits of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for the amounts due. If the Entity retains substantially all the risks and benefits of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a loan guaranteed by the income received.

Upon derecognition of a financial asset measured at amortized cost, the difference between the asset's book value and the sum of the consideration received and receivable is recognized in income. In addition, when an investment in a debt instrument classified as fair value through other comprehensive income is written off, the accumulated gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, in the derecognition of an investment in a capital instrument that the Entity chose in the initial recognition to measure at fair value through other comprehensive income, the accumulated gain or loss previously accumulated in the investment revaluation reserve is not reclassifies to profit or loss, but is transferred to accumulated profit (deficit).

f. ***Financial liabilities***

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Entity, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing 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, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.
- A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of an Entity of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the ‘other gains and losses’ line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Entity that are designated by the Entity as at FVTPL are recognized in profit or loss.

Financial liabilities measured subsequently at amortized cost

Financial liabilities (including borrowings) that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently 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 expenses 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.

Derecognition of financial liabilities

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

When the Entity exchanges with the existing lender a debt instrument in another with substantially different terms, that exchange is accounted for as an extinction of the original financial liability and the recognition of a new financial liability. Similarly, the Entity considers the substantial modification of the terms of an existing liability or part of it as an extinction of the original financial liability and the recognition of a new liability. The terms are assumed to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, is at least 10% different from the current discounted rate. Value of the remaining cash flows of the original financial liability. If the modification is not material, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after the modification should be recognized in profit or loss as the gain or loss from the modification within other gains and losses.

g. ***Derivative financial instruments***

The Entity enters into a variety of derivative financial instruments to manage its exposure to interest and foreign exchange rate risk, including interest rate swaps. Further details of derivative financial instruments are disclosed in Note 15.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Entity has both legal right and intention to offset. The impact of the Master Netting Agreements on the Entity's financial position is disclosed in Note 15.8. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

h. ***Hedge accounting***

The Entity designates certain hedging instruments, which include derivatives in respect of interest rate risk as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedging instrument and the hedged item;
- The effect of credit risk does not dominate the value of the changes that result from the economic relationship; and
- The hedging ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Entity actually covers and the amount of the hedging instrument that the Entity actually uses to cover that amount of the hedged item.

If a hedging relationship no longer meets the hedge effectiveness requirement related to the hedging relationship, but the risk management objective for that designated hedging relationship remains the same, the Entity adjusts the hedging relationship of the hedging relationship (that is, rebalances the coverage) so that it meets the qualification criteria again.

The Entity designates the complete change in the fair value of a forward contract (that is, it includes the forward items) as the hedging instrument for all of its hedging relationships that involve forward contracts.

The Entity designates only the intrinsic value of the option contracts as a hedged item, that is, excluding the time value of the option. Changes in the fair value of the time-aligned value of the option are recognized in other comprehensive income and accumulated in the cost of the hedge reserve. If the hedged item is related to the transaction, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is related to the period of time, then the accumulated amount in the cost of the hedge reserve is reclassified to profit or loss in a rational manner: the Entity applies amortization in a straight line. Those reclassified amounts are recognized in profit or loss on the same line as the hedged item. If the hedged item is a non-financial item, the amount accrued in the cost of the hedge reserve is removed directly from equity and included in the initial carrying amount of the recognized non-financial item. Furthermore, if the Entity expects that part or all of the accumulated loss in the cost of the hedge reserve will not be recovered in the future, that amount will be immediately reclassified to profit or loss.

Note 15.8 establishes the details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other income (expenses) - Net' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Entity expects that part or all of the accumulated loss in the cash flow hedge reserve will not be recovered in the future, that amount will be immediately reclassified to profit or loss.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

i. ***Cash and cash equivalents***

Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to immaterial value change risks. Cash is carried at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in interest income of the period. Cash equivalents are represented mainly by investments in treasury certificates (CETES) and money market funds.

j. ***Office furniture***

Office furniture is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized so as to write off the cost of assets less their residual values 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. An item of office furniture 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 the asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

k. ***Restricted cash***

Restricted cash represents cash and cash equivalents balances held by the Entity that are only available for use under certain conditions pursuant to the long-term debt agreements entered into by the Entity (as discussed in Note 11). These restrictions are classified according to their restriction period: less than 12 months and over one year, considering the period of time in which such restrictions are fulfilled, whereby the short-term restricted cash balance was classified within current assets under cash and cash equivalents and the long-term restricted cash was classified within guarantee deposits made.

l. ***Investment property***

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon sale or when the investment property is permanently withdrawn from use and no future economic benefits are expected to be received from such investment property. Any gain or loss arising on derecognition of the property (calculated as the difference between the net sale proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

m. ***Impairment of long-lived assets other than goodwill***

At the end of each reporting period, the Entity reviews the carrying amounts of its long-lived 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 the asset does not generate cash flows independent of other assets, the Entity estimates the recoverable amount of the cash-generating unit to which said asset belongs. When a reasonable and consistent basis of distribution can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the Entity's smallest of cash-generating units for which a reasonable and consistent distribution base can be identified.

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, except if the asset is recorded at a revalued amount, in which case the impairment loss should be considered as a decrease in revaluation.

n. ***Leases***

1) 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.

2) The Entity as lessee

The Entity assesses whether a contract is or contains a lease, at inception of the contract. The Entity recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Entity recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Entity revalues the lease liability (and makes the corresponding adjustment to the related use rights asset) when:

- The lease term is modified or there is a significant event or change in the circumstances of the lease resulting in a change in the evaluation of the purchase option exercise, in which case the lease liability is measured by discounting the updated rent payments using a updated discount rate.
- Rent payments are modified as a result of changes in indices or rate or a change in the expected payment under a guaranteed residual value, in which cases the lease liability is revalued by discounting the updated rent payments using the same discount rate (unless the change in rent payments is due to a change in a variable interest rate, in which case an updated discount rate is used).
- A lease is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is revalued based on the lease term of the modified lease, discounting the updated rent payments using a discount rate updated on the date of entry into force of the modification.

The Entity did not perform any of the aforementioned adjustments in the periods presented.

Rights-of-use assets consist of the initial measurement of the corresponding lease liability, the rental payments made on or before the commencement date, less any lease incentives received and any direct initial costs. Subsequent valuation is cost less accumulated depreciation and impairment losses.

If the Entity incurs an obligation arising from the costs of dismantling and removing a leased asset, restoring the place in which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease, a provision measured in accordance with IAS 37 should be recognized. To the extent that the costs are related to a rights of use asset, the costs are included in the related rights of use asset, unless such costs are incurred to generate inventories.

Assets for rights of use are depreciated over the shorter period between the lease period and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the asset for rights of use reflects that the Entity plans to exercise a purchase option, the asset for rights of use will be depreciated over its useful life. Depreciation begins on the lease commencement date.

Assets for rights of use are presented as a separate concept in the consolidated statement of financial position.

The Entity applies IAS 36 to determine whether a rights-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of assets other than goodwill' policy.

Leases with variable income that do not depend on an index or rate are not included in the measurement of the lease liability and the asset for rights of use. The related payments are recognized as an expense in the period in which the event or condition that triggers the payments occurs and are included in the concept of “Other expenses” in the consolidated statement of profits and losses.

As a practical expedient, IFRS 16 allows you not to separate the non-lease components and instead account for any lease and its associated non-lease components as a single arrangement. The Entity has not used this practical file. For contracts that contain lease components and one or more additional lease or non-lease components, the Entity assigns the consideration of the contract to each lease component under the relative selling price method independent of the lease component and aggregate stand-alone relative selling price for all non-lease components.

o. ***Foreign currencies***

The U.S. dollar is the functional currency of Vesta and all of its subsidiaries except for WTN Desarrollos Inmobiliarios de México, S. de R. L. de C. V. ("WTN") and Vesta Management, S. de R.L. de C.V. (VM), which consider the Mexican peso to be their functional currency and are considered to be "foreign operations" under IFRS. However, Vesta and its subsidiaries keep their accounting records in Mexican pesos. In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the exchange rates in effect on the dates of each transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates in effect at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the exchange rates in effect on 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.

For the purposes of presenting consolidated financial statements, the assets and liabilities of WTN and VM are translated into U.S. dollars using the exchange rates in effect on the last business day of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates in effect on the dates of the transactions are used. Exchange differences arising, if any, are recorded in other comprehensive income.

p. ***Employee benefits***

Employee benefits for termination

Employee benefits for termination are recorded in the results of the year in which they are incurred.

Short-term and other long-term employee benefits and statutory employee profit sharing ("PTU")

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Entity in respect of services provided by employees up to the reporting date.

Statutory employee profit sharing ("PTU")

PTU is recorded in the results of the year in which it is incurred and is presented in administration expenses line item in the consolidated statement of profit (loss) and other comprehensive income.

As result of the 2014 Income Tax Law, as of December 31, 2020, 2019 and 2018, PTU is determined based on taxable income, according to Section I of Article 9 of the that Law.

q. ***Share-based payment arrangements***

Share-based payment transactions of the Entity

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 17.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Entity's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve.

r. ***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.

   The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

   A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Entity supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

2. Deferred income tax

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

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.

Deferred tax assets and liabilities are offset when there is an enforceable legal right that allows offsetting current tax assets against current tax liabilities and when they are related to income taxes collected by the same tax authority and the Entity has the right to intention to settle your current tax assets and liabilities on a net basis.

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, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

s. ***Provisions***

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

t. ***Revenue recognition***

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

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, management of the Entity 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.

– ***Valuation of investment properties***

As described in Note 9, the Entity uses external appraisers in order to determine the fair value of its investment properties. Such appraisers use several valuation methodologies that include assumptions that are not directly observable in the market to estimate the fair value of its investment properties. Note 9 provides detailed information about the key assumptions used in the determination of the fair value of the investment properties.

In estimating the fair value of an asset or a liability, the Entity uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Entity engages third party qualified valuation experts. The valuation committee works closely with the qualified external valuation experts to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board of directors of the Entity every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 9 and 15.

The Entity's management believes that the chosen valuation methodologies and assumptions used are appropriate in determining the fair value of the Entity's investment properties.

5. *Cash, cash equivalents and restricted cash*

For purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, including restricted cash. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	2020	2019	2018
Cash and cash equivalents	$ 119,731,799	$ 75,031,869	$ 64,434,016
Current restricted cash	810,343	31,724	49,379
	120,542,142	75,063,593	64,483,395
Non-current restricted cash	735,312	735,312	735,312
Total	$ 121,277,454	$ 75,798,905	$ 65,218,707

Restricted cash represents balances held by the Entity that are only available for use under certain conditions pursuant to the loan agreements entered into by the Entity. Such conditions include payment of monthly debt service and compliance with certain covenants set forth in the loan agreement. These restrictions are classified according to their restriction period: less than 12 months and over one year, considering the period of time in which such restrictions are fulfilled. Non-current restricted cash was classified within guarantee deposits made in the accompanying consolidated statements of financial positon.

6. *Financial assets held for trading*

The portfolio of financial assets that the Entity has classified as held for trading relates to investments used by the Entity to manage its cash surplus. Such financial assets were acquired in active markets and are principally comprised of investment funds with no maturity date and which mainly invest in AAA debt instruments, such as government bonds. These are classified as at fair value through profit (loss).

7. Recoverable taxes

	2020	2019	2018
Recoverable value-added tax (“VAT”)	$ 5,359,817	$ 1,958,949	$ 11,008,204
Recoverable income taxes	517,928	109,781	7,000,756
Recoverable dividend tax	8,737,362	7,855,714	8,202,066
Other receivables	246,003	440,677	129,784
	$ 14,861,110	$ 10,365,121	$ 26,340,810

8. Operating lease receivables

i. The aging profile of operating lease receivables as of the dates indicated below are as follows:

	2020	2019	2018
0-30 days	$ 5,986,117	$ 7,438,454	$ 6,944,766
30-60 days	259,016	313,014	373,514
60-90 days	46,475	259,434	229,724
Over 90 days	69,293	261,191	582,549
Total	$ 6,360,901	$ 8,272,093	$ 8,130,553

Pursuant to the lease agreements, rental payments should be received within 30 days following their due date; thereafter the payment is considered past due. As shown in the table above, 94%, 90% and 86% of all operating lease receivables are current at December 31, 2020, 2019 and 2018, respectively.

All rental payments past due are monitored by the Entity; for receivables outstanding from 30 to 90 days’ efforts are made to collect payment from the respective client. Operating lease receivables outstanding for more than 30 days but less than 60 days represent 4%, 4% and 5% of all operating lease receivables at December 31, 2020, 2019 and 2018, respectively. Operating lease receivables outstanding for more than 60 and less than 90 days represent 1%, 3% and 3% of all operating lease receivable at December 31, 2020, 2019 and 2018. Operating lease receivables outstanding greater than 90 days represent 1%, 3% and 7% as of December 31, 2020, 2019 and 2018, respectively.

ii. Movement in the allowance for doubtful accounts receivable

The Entity recognizes lifetime expected credit losses (“ECL”) for operating lease receivables. The ECL on these financial assets are estimated using a provision matrix based on the Entity’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the operating lease receivable. The balance as of December 31, 2020, 2019 and 2018 is $3,507,156; $908,699 and $350,314, respectively.

iii. Client concentration risk

As of December 31, 2020, 2019 and 2018 one of the Entity’s clients account for 36% or 2,267,628, 36% or $2,997,680 and 36% or $1,883,826, respectively, of the operating lease receivables balance. The same client accounted for 5%, 6% and 7% of the total rental income of Entity for the years ended December 31, 2020, 2019 and 2018, respectively. No other client represented more than 10% of the Entity's total rental income during the years ended December 31, 2020, 2019 and 2018.

iv. Leasing agreements

Operating leases relate to non-cancellable lease agreements over the investment properties owned by the Entity, which generally have terms ranging between 5 to15 years, with options to extend the term up to a total term of 20 years. Rents are customarily payable on a monthly basis, and are adjusted annually according to applicable inflation indices (US and Mexican inflation indices). Security deposits are typically equal to one or two months' rent. Obtaining property insurance (third party liability) and operating maintenance are obligations of the tenants. All lease agreements include a rescission clause that entitles the Entity to collect all unpaid rents during the remaining term of the lease agreement in the event that the client defaults in its rental payments, vacates the properties, terminates the lease agreement or enters into bankruptcy or insolvency proceedings. All lease agreements are classified as operating leases and do not include purchase options.

v. Non-cancellable operating lease receivables

Future minimum lease payments receivable under non-cancellable operating lease agreements are as follows:

	2020	2019	2018
Not later than 1 year	$ 138,281,031	$ 135,776,309	$ 131,017,926
Later than 1 year and not later than 3 years	238,267,534	236,689,312	230,133,415
Later than 3 year and not later than 5 years	193,877,884	215,670,367	239,526,395
Later than 5 years	105,963,985	113,092,864	128,475,873
	$ 676,390,434	$ 701,228,852	$ 729,153,609

9. Investment property

The Entity uses external appraisers in order to determine the fair value for all of its investment properties. The independent appraisers, who hold recognized and relevant professional qualifications and have vast experience in the types of investment properties, owned by the Entity, use valuation techniques such as the discounted cash flows approach, replacement cost approach and income cap rate approach. The techniques used include assumptions, the majority of which are not directly observable in the market, to estimate the fair value of the Entity's investment property such as discount rates, long-term NOI, inflation rates, absorption periods and market rents.

The values, determined by the external appraisers annually, are recognized as the fair value of the Entity's investment property at the end of each reporting period. The appraisers use a discounted cash flow approach to determine the fair value of land and buildings (using the expected net operating income ("NOI") of the investment property) and a market approach to determine the fair value of land reserves. Gains or losses arising from changes in the fair values are included in the consolidated statements of profit or loss and other comprehensive (loss) income in the period in which they arise.

The Entity's investment properties are located in México and they are classified as Level 3 in the IFRS fair value hierarchy. The following table provides information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used).

Property	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Value/range	Relationship of unobservable inputs to fair value
Buildings and land	Level 3	Discounted cash flows	Discount rate	2020: 8.25% to 11.96% 2019: 9.20% to 10.15% 2018: 9.35%	The higher the discount rate, the lower the fair value.
			Exit cap rate	2020: 7.5% to 9.5% 2019: 8.56% to 8.7% 2018: 8.75 %	The higher the exit cap rate, the lower the fair value.
			Long-term NOI	Based on contractual rent and then on market related rents	The higher the NOI, the higher the fair value.

Property	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Value/range	Relationship of unobservable inputs to fair value
			Inflation rates	Mexico: 3.48% to 3.9% in 2020, 4% to 4.1% in 2019 and 4.10% in 2018 U.S.: 2.1% to 2.5% in 2020, 2.2% to 2.3% in 2019 and 2.1% in 2018	The higher the inflation rate, the higher the fair value.
			Absorption period	12 months on average	The shorter the absorption period, the higher the fair value
			Market related rents	Depending on the park/state	The higher the market rent the higher the fair value
			Exchange rate - Mexican pesos per $1	2020: 20.0 to 20.50 2019: 19.5 to 20.48 2018: 18.80	The higher the exchange rate the lower the fair value
Land reserves	Level 3	Market value	Price per acre	Weighted average price per acre is $136,947 in 2020, $141,819 in 2019 and $111,786 in 2018.	The higher the price, the higher the fair value.

The table below sets forth the aggregate values of the Entity's investment properties for the years indicated:

	2020	2019	2018
Buildings and land	$ 1,963,602,133	$ 1,841,395,000	$ 1,817,308,000
Land improvements	38,471,121	23,743,778	28,193,736
Land reserves	124,098,159	142,979,000	92,523,000
	2,126,171,413	2,008,117,778	1,938,024,736
Less: Cost to conclude construction in-progress	(22,956,651)	(18,986,687)	(53,403,306)
Balance at end of year	$ 2,103,214,762	$ 1,989,131,091	$ 1,884,621,430

The reconciliation of investment property is as follows:

	2020	2019	2018
Balance at beginning of year	$ 1,989,131,091	$ 1,884,621,430	$ 1,701,006,371
Additions	72,523,331	105,442,836	138,831,289
Foreign currency translation effect	(3,809,924)	4,343,996	(8,039,032)
Disposal of investment property	-	(91,339,283)	-
Gain on revaluation of investment property	45,370,264	86,062,112	52,822,802
Balance at end of year	$ 2,103,214,762	$ 1,989,131,091	$ 1,884,621,430

A total of $101,140 and $933,571 additions to investment property related to land reserves and new buildings that were acquired from third parties, were not paid as of December 31, 2020 and 2019, respectively, and were therefore excluded from the consolidated statements of cash flows for those years. The $933,571 of 2019 additions were paid during 2020 and were included in the 2020 consolidated statement of cash flows, no other unpaid amounts existed as of December 31, 2018.

During 2019, the Entity reached an agreement to sell eight industrial properties located in Queretaro and Toluca totaling 1.6 million square feet for $109,260,000, the cost associated with the sale was $91,339,283, generating a gain in sale of investment property of $17,920,717.

During 2007, the Entity entered into an agreement to build the Querétaro Aerospace Park, which consists of a trust created by the Government of the State of Querétaro, as grantor (*fideicomitente)*, Aeropuerto Intercontinental de Querétaro, S. A. de C. V., as a participant for the purposes of granting its consent, Bombardier Aerospace México, S.A. de C.V., as beneficiary (*fideicomisario*), and BBVA Bancomer, S.A., as trustee (*fiduciario*), to which the Entity, through its subsidiary, Proyectos Aeroespaciales, S. de R. L. de C. V. (PAE), adhered as grantee and beneficiary. The Government of the State of Queretaro contributed certain rights to the trust, including rights to use the land and the infrastructure built by the state of Queretaro, allowing PAE to build and lease buildings for a total period equivalent to the term of the concession granted to the Aerospace Park; the remaining term is approximately 34 years as of December 31, 2020.

PAE is the only designated real estate developer and was granted the right to use the land and infrastructure to develop industrial facilities thereon, lease such industrial facilities to companies in the aerospace and related industries and to collect the rents derived from the lease of the industrial facilities, for a period of time equivalent to the remaining term of the airport concession (approximately 34 years as of December 31, 2020). With respect to such rights, all construction, addition and improvements made by Proyectos Aeroespaciales to the contributed land (including without limitation, the industrial facilities) will revert in favor of the Government of the State of Queretaro at the end of the term of the trust, for zero consideration.

During 2013, the Entity entered into an agreement with Nissan Mexicana, S.A. de C.V. ("Nissan") to build and lease to Nissan the Douki Seisan Park ("DSP Park") located in Aguascalientes, Mexico. The land where the DSP Park is located is owned by Nissan. On July 5, 2012, Nissan created a trust (trust No. F/1704 with Deutsche Bank México, S.A. as trustee) to which the Entity (through one of its subsidiaries, Vesta DSP, S. de R.L. de C.V), is beneficiary and was granted the use of the land for a period of 40 years. The infrastructure and all the related improvements were built by and are managed by the Entity.

As of December 31, 2020, 2019 and 2018, the Entity's investment properties have a gross leasable area (unaudited) of and 31,159,681 square feet (or 2,894,829 square meters), 29,792,047 square feet (or 2,767,772 square meters) and 29,867,577 square feet (or 2,774,789 square meters), respectively, and they were 90.9%, 91.7% and 91.8% occupied by tenants (unaudited), respectively. As of December 31, 2020, 2019 and 2018, investment properties with a gross leasable area (unaudited) of 776,334 square feet (or 72,124 square meters), 762,674 square feet (or 70,855 square meters) and 1,041,753 square feet (or 96,782 square meters), respectively, were under construction, representing an additional 2.5%, 2.6% and 3.0% of the Entity's total leasable area.

Most of the Entity's investment properties have been pledged as collateral to secure its long-term debt.

10. Entity as lessee

1. ***Rights to use:***

Rights to use	January 1, 2019	Additions	Disposals	December 31, 2019
Property	$ 1,260,626	$ -	$ -	$ 1,260,626
Vehicles and office equipment	302,650	-	-	302,650
Cost of rights to use	$ 1,563,276	$ -	$ -	$ 1,563,276

Depreciation of rights to use	January 1, 2019	Additions	Disposals	December 31, 2019
Property	$ -	$ (365,208)	$ -	$ (365,208)
Vehicles and office equipment	-	(94,032)	-	(94,032)
Accumulated Depreciation	-	(459,240)	-	(459,240)
Total	$ 1,563,276	$ (459,240)	$ -	$ 1,104,036

Rights to use	January 1, 2020	Additions	Disposals	December 31, 2020
Property	$ 1,260,626	$ -	$ -	$ 1,260,626
Vehicles and office equipment	302,650	-	-	302,650
Cost of rights to use	$ 1,563,276	$ -	$ -	$ 1,563,276
Depreciation of rights to use				
Property	$ (365,208)	$ (352,167)	$ -	$ (717,375)
Vehicles and office equipment	(94,032)	(94,032)	-	(188,064)
Accumulated Depreciation	(459,240)	(446,199)	-	(905,439)
Total	$ 1,104,036	$ (446,199)	$ -	$ 657,837

2. ***Lease obligations:***

	January 1, 2019	Additions	Disposals	Interests paid	Repayments	December 31, 2019
Lease liabilities	$1,563,276	$ -	$ -	$ 146,018	$ (545,048)	$1,164,246

	January 1, 2020	Additions	Disposals	Interests paid	Repayments	December 31, 2020
Lease liabilities	$1,164,246	$ -	$ -	$ 101,959	$ (534,920)	$ 731,285

3. ***Analysis of maturity of liabilities by lease:***

Finance lease liabilities	2020
Not later than 1 year	$ 504,612
Later than 1 year and not later than 5 years	299,526
	804,138
Less: future finance cost	(72,853)
Total lease liability	$ 731,285
Finance lease - short term	510,417
Finance lease - long term	220,868
Total lease liability	$ 731,285

11. Long-term debt

On August 2, 2019, the Entity entered into a new five-year unsecured credit agreement with various financial institutions for an aggregated amount of $80,000,000, and a revolving credit line of $125,000,000. This loan bears quarterly interest at a rate of LIBOR plus 2.15 percentage points. The proceeds were received on the same date, as of December 31, 2019 the revolving credit line have not been used. ("Syndicated Loan"). On March 23, 2020 and April 7, 2020, the Entity disposed $85,000,000 and $40,000,000, respectively, out of the revolving credit line, bearing quarterly interest at a rate of LIBOR plus 1.85 percentage points.

On June 25, 2019, the Entity entered into a 10-year senior notes series RC and 12-year senior notes series RD with various financial institutions, for and aggregated amounts of $70,000,000 and $15,000,000, respectively. Each Series RC notes and Series RD notes bear interest on the unpaid balance at the rates of 5.18% and 5.28%, respectively.

On May 31, 2018, the Entity entered into an agreement for the issuance and sale of Series A Senior Notes of $45,000,000 due on May 31, 2025, and Series B Senior Notes of $45,000,000 due on May 31, 2028. Each Series A Note and Series B Note bear interest on the unpaid balance at the rates of 5.50% and 5.85%, respectively.

On November 1, 2017, the Entity entered into a loan agreement with Metropolitan Life Insurance Company for $118,000,000 due on December 1, 2027. This loan bears monthly interest at a rate of 4.75%.

On September 22, 2017, the Entity entered into an agreement for an issuance and sale Series A Senior Notes of $65,000,000 due on September 22, 2024, and Series B Senior Notes of $60,000,000 due on September 22, 2027. Each Series A Note and Series B Note bear interest on the unpaid balance of such Series A Note and Series B Note at the rates of 5.03% and 5.31%, respectively, per annum payable semiannually on the September 22 and March 22 of each year.

On July 22, 2016, the Entity entered into a new five-year credit agreement with various financial institutions for an aggregated amount of $150,000,000; the proceeds were received on the same date (the "Syndicated Loan"). This loan was paid in advance in June 24, 2020.

On July 27, 2016, the Entity entered into a 10-year loan agreement with Metropolitan Life Insurance Company ("MetLife") for a total amount of $150,000,000 due on August 2026. The proceeds of both of the aforementioned credit facilities were used to settle the Entity's debt with Blackstone, which matured on August 1, 2016

The long-term debt is comprised by the following notes:

Loan	Amount	Annual interest rate	Monthly amortization	Maturity	31/12/2020	31/12/2019	31/12/2018
Syndicated Loan	$ 150,000,000	Variable rate plus margin	(1)	July 2021	$ -	$ -	$ 150,000,000
MetLife 10-year	150,000,000	4.55%	(2)	August 2026	150,000,000	150,000,000	150,000,000
MetLife 7-year	47,500,000	4.35%	(3)	April 2022	45,756,834	46,551,737	47,376,981
Series A Senior Note	65,000,000	5.03%	(5)	September 2024	65,000,000	65,000,000	65,000,000
Series B Senior Note	60,000,000	5.31%	(5)	September 2027	60,000,000	60,000,000	60,000,000
Series A Senior Note	45,000,000	5.50%	(5)	May 2025	45,000,000	45,000,000	45,000,000
Series B Senior Note	45,000,000	5.85%	(5)	May 2028	45,000,000	45,000,000	45,000,000
MetLife 10-year	118,000,000	4.75%	(4)	December 2027	118,000,000	118,000,000	118,000,000
MetLife 8-year	26,600,000	4.75%	(2)	August 2026	26,600,000	26,600,000	26,600,000
Series RC Senior Note	70,000,000	5.18%	(6)	June 2029	70,000,000	70,000,000	-
Series RD Senior Note	15,000,000	5.28%	(7)	June 2031	15,000,000	15,000,000	-
Syndicated Loan (New)	80,000,000	Variable rate plus margin	(8)	August 2024	80,000,000	80,000,000	-
Syndicated Loan (New)	125,000,000	Variable rate plus margin	(9)	August 2022	125,000,000	-	-
					845,356,834	721,151,737	706,976,981
Less: Current portion					(1,923,573)	(794,905)	(4,513,388)
Less: Direct issuance cost					(5,595,782)	(6,724,154)	(7,179,559)
Total Long-term debt					$ 837,837,479	$ 713,632,678	$ 695,284,034

(1) Five-year Syndicated Loan, interest is paid on a quarterly basis and calculated using LIBOR (London interbank offered rate) plus an applicable margin. The applicable margin varies depending on the Entity's leverage ratio (higher or lower than 40%) and the number of months that the Syndicated Loan has been outstanding. Currently the applicable margin is 200 basis points; if leverage ratio is higher than 40% the margin would increase to 225 basis points. Principal amortization will commence on July 22, 2019; thereafter the Syndicated Loan will have quarterly principal payments equal to 1.25% of the loan amount. This loan was paid in advance on June 24, 2019.

(2) On July 22, 2016 the Entity entered into a 10-year loan agreement with MetLife, interest on this loan is paid on a monthly basis and calculated using an annual fixed rate of 4.55%. On March 2020, under this credit facility, an additional loan was contracted for $26,600,000 bearing interest on a monthly basis at an annual fixed rate of 4.75%. Principal amortization over the two loans will commence on September 1, 2023. This credit facility is guaranteed with 48 of the Entity's properties, which expires on August 1, 2026.

(3) On March 9, 2015, the Entity entered into a 7-year loan with MetLife, interest on this loan is paid on a monthly basis and calculated using an annual rate of 4.35%. The loan has monthly interest only payments for 42 months and thereafter monthly amortizations of principal and interest until it matures on April 1, 2022. The loan is secured by 6 of the Entity's investment properties.

(4) On November 1, 2017, the Entity entered into a 10-year loan agreement with Metlife, interest on this loan is paid on a monthly basis and calculated using an annual rate of 4.75%. The loan bears monthly interest only for 60 months and thereafter monthly amortizations of principal and interest until it matures on December 1, 2027. The loan is secured by 21 of the Entity's investment properties.

(5) Series A Senior Notes and Series B Senior Notes are not secured by investment properties of the Entity. The interest on these notes are paid on a semiannually basis and calculated using an annual rates established in the table above.

(6) On June 25, 2019, the Entity entered into a 10-year senior notes series RC to financial institutions, interest on these loans are paid on a semiannual basis and calculated using an annual rate of 5.18%. The loan bears semiannual interest only beginning December 14, 2019. The notes payable matures on June 14, 2029. Five of its subsidiaries are joint obligators under these notes payable.

(7) On June 25, 2019, the Entity entered into a 12-year note payable to financial institutions, interest on these loans are paid on a semiannual basis and calculated using an annual rate of 5.28%. The loan bears semiannual interest only beginning December 14, 2019. The notes payable matures on June 14, 2031. Five of its subsidiaries are joint obligators under these notes payable.

(8) Five-year Syndicated Loan, interest is paid on a quarterly basis and calculated using LIBOR (London interbank offered rate) plus an applicable margin. The applicable margin varies depending on the Entity's leverage ratio (higher or lower than 40%) and the number of months that the Syndicated Loan has been outstanding. Currently the applicable margin is 215 basis points. Principal amortization will commence payable on August 2, 2024 (maturity date).

(9) Under the Syndicated Loan revolving credit line, interest is paid on a quarterly basis and calculated using LIBOR (London interbank offered rate) plus an applicable margin. The applicable margin varies depending on the Entity's leverage ratio (higher or lower than 40%) and the number of months that the Syndicated Loan has been outstanding. Currently the applicable margin is 185 basis points. Principal amortization will commence payable on August 2, 2022 (maturity date).

These credit agreements require the Entity to maintain certain financial ratios (such as Cash-on-Cash and debt service coverage ratios) and to comply with certain affirmative and negative covenants. The Entity is in compliance with these covenants as of December 31, 2020.

The credit agreements with MetLife request to withhold certain amounts deposited by the Entity in a separate fund as guarantee deposits for the debt service. Such amounts are presented as guarantee deposit assets in the statement of financial position.

Scheduled maturities and periodic amortization of long-term debt are as follows:

As of December 2022	$ 47,800,914
As of December 2023	129,627,154
As of December 2024	4,811,407
Thereafter	661,193,784
Less: direct issuance cost	(5,595,780)
Total long-term debt	$ 837,837,479

12. Capital stock

1. Capital stock as of December 31, 2020, 2019 and 2018 is as follows:

	2020		2019		2018	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Fixed capital Series A	5,000	$ 3,696	5,000	$ 3,696	5,000	$ 3,696
Variable capital Series B	564,209,433	422,433,919	573,449,946	426,297,255	591,409,572	435,609,543
Total	564,214,433	$422,437,615	573,454,946	$426,300,951	591,414,572	$435,613,239

2. Shares in treasury

As of December 31, 2020, 2019 and 2018 total shares in treasury area as follows:

	2020	2019	2018
Shares in treasury (1)	34,880,880	27,735,920	37,831,460
Shares in long term incentive plan trust (2)	7,361,766	5,626,212	2,480,091
Total share in treasury	42,242,646	33,362,132	40,311,551

(1) Shares in treasury are not included in the Total Capital Stock of the Entity, they represent the total stock outstanding under the repurchase program approved by the resolution of the general ordinary stockholders meeting on March 13, 2020. The Board of Directors approved on July 26, 2019 the cancellation of 25,000,000, on November 12, 2019 the Entity filed the request with the National Banking and Exchange Commission (CNBV) and initiated the process.

(2) Shares in long-term incentive plan trust are not included in the Total Capital Stock of the Entity. The trust was established in 2018 in accordance with the resolution of the general ordinary stockholders meeting on January 6, 2015 as the 20-20 Long Term Incentive Plan, this compensation plan was extended for the period 2021 to 2025, "Long Term Incentive Plan" by a resolution of the general ordinary stockholders meeting on March 13, 2020. Such trust was created by the Entity as a vehicle to distribute shares to employees under the mentioned incentive plan (see Note 17) and is consolidated by the Entity. The shares granted to the eligible executives and deposited in the trust accrue dividends for the employee any time the ordinary shareholders receive dividends and those dividends do not need to be returned to the Entity if the executive forfeits the granted shares.

3. Fully paid ordinary shares

	Number of shares	Amount	Additional paid-in capital
Balance as of January 1, 2018	600,267,388	$ 439,843,107	$ 327,270,539
Vested shares	567,788	297,786	479,413
Repurchase of shares	(9,420,605)	(4,527,654)	(6,728,913)
Balance as of December 31, 2018	591,414,571	435,613,239	321,021,039
Vested shares	976,400	507,966	803,095
Repurchase of shares	(18,936,025)	(9,820,254)	(18,082,696)
Balance as of December 31, 2019	573,454,946	$ 426,300,951	$ 303,741,438
Vested shares	2,330,601	1,238,891	3,016,698
Repurchase of shares	(11,571,114)	(5,102,227)	(9,693,665)
Balance as of December 31, 2020	564,214,433	$ 422,437,615	$ 297,064,471

4. Dividend payments

Pursuant to a resolution of the general ordinary stockholders meeting on March 13, 2020, the Entity declared a dividend of $54,138,218, approximately $0.094 per share. The dividend will be paid in four equal installments of $13,534,555 due on April 15, 2020, July 15, 2020, October 15, 2020 and January 15, 2021. As of December 31, 2020, the unpaid dividends are $13,534,555.

The first installment, of the 2020 declared dividends, paid on April 15, 2020 was approximately $0.0237 per share, for a total dividend of $13,534,555.

The second installment, of the 2020 declared dividends, paid on July 15, 2020 was approximately $0.0237 per share, for a total dividend of $13,534,554.

The third installment, of the 2020 declared dividends, paid on October 15, 2020 was approximately $0.0237 per share, for a total dividend of $13,534,554.

Pursuant to a resolution of the general ordinary stockholders meeting on March 15, 2019, the Entity declared a dividend of $1,007,986,049 Mexican pesos, approximately $0.089 per share, equivalent to $52,214,000. The dividend will be paid in four equal installments of $251,996,512 Mexican pesos due on April 15, 2019, July 15, 2019, October 15, 2019 and January 15, 2020 in cash. As of December 31, 2019, the unpaid dividends are $13,371,920.

The first installment, of the 2019 declared dividends, paid on April 15, 2019 was approximately $0.425 Mexican pesos per share, for a total dividend of $13,466,408.

The second installment, of the 2019 declared dividends, paid on July 15, 2019 was approximately $0.429 Mexican pesos per share, for a total dividend of $13,100,942.

The third installment, of the 2019 declared dividends, paid on October 15, 2019 was approximately $0.435 Mexican pesos per share, for a total dividend of $12,877,398.

The fourth installment, of the 2019 declared dividends, paid on January 15, 2020 was approximately $0.435 Mexican pesos per share, for a total dividend of $13,371,920.

Pursuant to a resolution of the general ordinary stockholders' meeting on March 21, 2018, the Entity declared a dividend of approximately $0.064 per share, for a total dividend of $47,897,981. The dividend was paid on April 13, 2018 in cash.

Stockholders' equity, except restated common stock and tax-retained earnings, will incur income tax payable by the Entity at the rate in effect at the time of its distribution. Any tax paid on such distribution may be credited against income for the year in which the dividend tax is paid and, in the subsequent two years, against tax for the year and the related estimated payments.

Dividends paid from tax profits generated from January 1, 2014 to residents in Mexico and to nonresident stockholders may be subject to an additional tax of up to 10%, which will be withheld by the Entity.

Pursuant temporary provisions of the Income Tax Law of 2016, a tax benefit was granted to individual taxpayers that are subjects to 10% withholding tax on dividends received from legal entities, which come from earnings generated in 2014, 2015 and 2016, subject to compliance with specific requirements. The tax benefit consists in a tax credit equivalent to 5% of the distributed dividend (applicable only to dividends distributed in 2020 and onwards). Such tax credit will be credited only against the aforementioned 10% withholding tax.

Retained earnings that may be subject to withholding of up to 10% on distributed dividends is as follows:

Period	Amount	Reinvested earnings	Distributed earnings (1)	Amount that may be subject to withholding	Amount not subject to withholding
Retained earnings through December 31, 2013	$204,265,028	$204,265,028	$155,001,403	$ 49,263625	$ -
2014	24,221,997	24,221,997	24,221,997	-	-
2016	45,082,793	45,082,793	15,425,752	29,657,041	-
2017	126,030,181	126,030,181	53,975,583	72,054,598	-
2018	93,060,330	93,060,330	-	93,060,330	-
2019	134,610,709	134,610,709	-	-	-

(1) Dividend paid in 2019, were distributed form earnings generated in 2014 and 2016, which were reinvested until the days in which the dividends were paid. Dividend paid in 2020 were distributed from earnings generated in 2017.

5. Earnings per share

The amounts used to determine earnings per share are as follows:

	2020	2019	2018
Basic Earnings per shares			
Earnings attributable to ordinary share outstanding (1)	$ 66,103,277	$ 133,320,977	$ 92,675,577
Weighted average number of ordinary shares outstanding	566,610,301	581,587,442	597,380,020
Basic Earnings per share	0.117	0.229	0.155
Diluted Earnings per shares			
Earnings attributable to ordinary shares outstanding and shares in Incentive Plan Trust (1)	$ 66,956,082	$ 134,610,709	$ 93,060,330
Weighted average number of ordinary shares plus shares in Incentive Plan trust	573,972,067	587,213,654	599,860,111
Diluted earnings per share	0.117	0.229	0.155

	2020	2019	2018
(1) Total earnings	$ 66,956,082	$ 134,610,709	$ 93,060,330
Less: Earnings attributable to shares in Incentive Plan trust	852,805	1,289,732	384,753
Earnings attributable to ordinary shares outstanding	$ 66,103,277	$ 133,320,977	$ 92,675,577

Shares held in the Incentive Plan trust accrue dividends, which are irrevocable, regardless if the employee forfeits the granted shares. Earnings used for basic and diluted EPS are adjusted for such dividends.

13. Property operating costs and administration expenses

1. Property operating costs consist of the following:

a. Direct property operating costs from investment properties that generated rental income during the year:

	2020	2019	2018
Real estate tax	$ 1,671,299	$ 1,701,347	$ 1,322,097
Insurance	384,837	416,089	392,293
Maintenance	1,374,592	1,186,630	1,030,590
Structural maintenance accrual	104,344	111,360	167,253
Other property related expenses	5,390,446	3,851,064	1,936,385
	$ 8,925,518	$ 7,266,490	$ 4,848,618

b. Direct property operating costs from investment property that did not generate rental income during the year:

	2020	2019	2018
Real estate tax	$ 288,766	$ 225,236	$ 302,280
Insurance	24,920	28,907	48,972
Maintenance	133,326	75,181	111,412
Other property related expenses	782,125	544,804	365,418
	1,229,137	874,128	828,082
Total property operating	$ 10,154,655	$ 8,140,618	$ 5,676,700

2. Administration expenses consist of the following:

	2020	2019	2018
Employee direct benefits	$ 10,773,381	$ 10,551,704	$ 8,798,898
Auditing, legal and consulting expenses	1,268,212	1,511,179	1,957,828
Property appraisal and other fees	812,962	443,587	448,965
Indirect equity issuance and trading costs	-	-	109,592

	2020	2019	2018
Marketing expenses	557,267	962,862	1,020,523
Other	94,560	1,372,071	1,815,748
	13,506,382	14,841,403	14,151,554
Long-term incentive - Note 17.3	3,678,097	2,788,939	1,942,810
Total	$ 17,184,479	$ 17,630,342	$ 16,094,364

14. Income taxes

The Entity is subject to ISR. The statutory ISR rate is 30%.

14.1 Income taxes are as follows:

	2020	2019	2018
ISR expense:			
Current	$ 26,150,480	$ 37,670,744	$ 21,892,031
Deferred	34,397,994	12,918,014	13,091,239
Total income taxes	$ 60,548,474	$ 50,588,758	$ 34,983,270

14.2 The effective ISR rates for fiscal 2020, 2019 and 2018 differ from the statutory rate as follows:

	2020	2019	2018
Statutory rate	30%	30%	30%
Effects of exchange rates on tax balances	9%	(3)%	(1)%
Effects of inflation	8%	0%	(2)%
Effective rate	47%	27%	27%

14.3 The main items originating the deferred ISR liability are:

	2020	2019	2018
Deferred ISR assets (liabilities):			
Investment property	$ (264,464,006)	$ (229,597,974)	$ (215,221,274)
Effect of tax loss carryforwards	70,927	-	598,913
Other provisions and prepaid expenses	3,519,988	690,990	(728,611)
Deferred income taxes - Net	$ (260,873,091)	$ (228,906,984)	$ (215,350,972)

To determine deferred ISR the Entity applied the applicable tax rates to temporary differences based on their estimated reversal dates.

14.4 A reconciliation of the changes in the deferred tax liability balance is presented as follows:

	2020	2019	2018
Deferred tax liability at the beginning of the period	$ (228,906,984)	$ (215,350,972)	$ (204,205,361)
Movement included in profit or loss	(34,397,994)	(12,918,014)	(13,091,239)
Movement included in other comprehensive income	2,431,887	(637,998)	1,945,628
Deferred tax liability at the end of the year	$ (260,873,091)	$ (228,906,984)	$ (215,350,972)

15. Financial instruments

15.1 Capital management

The Entity manages its capital to ensure that the Entity will be able to continue as a going concern while maximizing the return to partners through the optimization of the debt and equity balance.

The capital structure of the Entity consists of net debt (total borrowings, including the current portion, as detailed in Note 11 offset by cash and bank balances) and equity of the Entity (comprising issued capital, additional paid-in capital, retained earnings and other comprehensive income as detailed in Note 12). The Entity is not subject to any externally imposed capital requirements.

15.2 Leverage ratio

The Board reviews the capital structure of the Entity on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The leverage ratio at end of following reporting periods was as follows:

	2020	2019	2018
Debt	$ 839,761,052	$ 714,427,583	$ 699,797,422
Cash, cash equivalents and restricted cash	(120,542,142)	(75,063,593)	(64,483,395)
Financial assets held for trading	(684,936)	(804,967)	(724,399)
Net debt	718,533,974	638,559,023	634,589,628
Equity	1,108,662,167	1,111,124,981	1,053,703,573
Net debt to equity ratio	65%	57%	60%

15.3 Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

The Entity's principal financial assets are bank balances, cash equivalents and restricted cash as disclosed in Note 5, operating lease receivables as disclosed in Note 8, derivate financial instruments disclosed within this note, and financial assets held for trading in the Note 6. The Entity's principal financial liability is long-term debt as disclosed in Note 11.

15.4 Financial risk management objectives

The Entity seeks to minimize the effects of market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The use of financial derivatives is governed by the Entity's policies approved by the board of directors. The Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

15.5 Market risk

The Entity's activities expose it primarily to the financial risks of changes in interest rates (see 15.8 below) and foreign currency exchange rates (see 15.6 below). The Entity enters into an interest rate swaps to mitigate the risk of rising interest rates.

Market risk exposures are measured using value-at-risk (VaR) supplemented by sensitivity analysis.

15.6 Foreign currency risk management

The Entity is exposed to foreign exchange risk, primarily with respect to the Mexican peso and to the US dollar in respect of one of its subsidiaries, whose functional currency is the Mexican peso. Foreign exchange risk arises from future commercial transactions and recognized monetary assets and liabilities.

The carrying amounts of the Entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period as well as the relevant exchange rates are as follows:

	2020	2019	2018
Exchange rates:			
Mexican pesos per US dollar at the end of the period	19.9487	18.8452	19.6829
Mexican pesos per US dollar average during the year	21.4961	19.2619	19.2371
Monetary assets:			
Mexican pesos	$ 447,966,664	$ 428,678,974	$ 592,340,267
US dollars	1,153,979	512,762	347,594
Monetary liabilities:			
Mexican pesos	$ 291,458,863	$ 158,652,308	$ 25,320,881
US dollars	31,656,730	38,817,667	31,782,583

15.7 Foreign currency sensitivity analysis

The following table details the Entity's sensitivity to a 10% appreciation or depreciation in the US dollar against the Mexican peso. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency exchange rates. A positive number below indicates an increase in profit or equity where the US dollar appreciates 10% against the relevant currency. For a 10% depreciation of the US dollar against the Mexican peso, there would be a comparable impact on the profit or equity, and the balances below would be negative:

	2020	2019	2018
Profit or loss impact:			
Mexican peso - 10% appreciation - gain	$ (713,229)	$ (1,302,606)	$ (2,618,883)
Mexican peso - 10% depreciation - loss	871,724	1,592,075	3,200,857
U.S. dollar - 10% appreciation – loss	(60,849,023)	(74,118,981)	(61,873,174)
U.S. dollar - 10% depreciation - gain	60,849,023	74,118,981	61,873,174

15.8 Interest rate risk management

The Entity minimizes its exposure to interest rate risk by borrowing funds at fixed rates or entering into interest rate swap contracts where funds are borrowed at floating rates. This minimizes interest rate risk together with the fact that properties owned by the Entity generate a fixed income in the form of rental income which is indexed to inflation.

Interest rate swap contracts

Under interest rate swap contracts, the Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Entity to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

The following table detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

Cash flow hedges

	Contracted fixed interest rate 2020	Notional principal value 2020	Fair value assets (liabilities) 2020
Outstanding receive floating pay fixed contracts	1.645	$ 80,000,000	$ (4,132,836)

	Contracted fixed interest rate 2019	Notional principal value 2019	Fair value assets (liabilities) 2019
Outstanding receive floating pay fixed contracts	1.645	$ 80,000,000	$ 163,530

15.9 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Entity has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Entity's exposure and the credit ratings of its counterparties are monitored, and the transactions consummated are entered into with approved counterparties. The Entity's maximum credit risk is the total of its financial assets included in its statement of financial position.

The Entity's clients operate in a variety of industries. Its real estate portfolio is primarily concentrated in the food and beverage, automotive, aerospace, medical, logistics and plastics industries. The Entity's exposure to these industries subjects it to the risk of economic downturns in such industrial sectors to a greater extent than if its properties were more diversified across other industries.

The Entity currently leases two distribution facilities to a single customer, which represent 5% of its total portfolio's gross leasable area (unaudited), and 26%, 23% and 40% of its operating lease receivable balance and 5.8%, 6% and 7% its annualized rents as of and for the years ended December 31, 2020, 2019 and 2018, respectively. If this customer were to terminate its lease agreements with the Entity, the Entity may experience a material loss with respect to future rental income.

15.10 Liquidity risk management

If the Entity is unable to raise additional debt or equity, its results of operations could suffer. The Entity closely monitors the maturity of its liabilities and the cash needs of its operations. It prepares and provides a detailed cash flow analysis on a quarterly basis and presents it to its board of directors. Decisions are made to obtain new financing or limit cash investments in order to maintain a healthy projected cash balance.

The maturity of the long-term, its current portion and the accrued interest at December 31, 2020 is as follows:

	Weighted average interest rate %	1 to 3 months	3 months to 1 year	1 to 4 years	5 or more years	Total
Long-term debt		$ 212,547	$ 126,711,026	$ 252,320,747	$ 466,112,514	$ 845,356,834
Accrued interest	5.05%	13,321,210	33,649,209	118,307,722	38,077,647	203,355,788
		$ 13,533,757	$ 160,360,235	$ 370,628,469	$ 504,190,161	$1,048,712,622

15.11 Fair value of financial instruments

15.11.1 Fair value of financial assets that are measured at fair value on a recurring basis

The Entity's investments are classified as level 1 in the IFRS 13 fair value hierarchy since they are traded in an active market.

The interest rate swap held by the Entity is classified as level 2 in the IFRS 13 fair value hierarchy as it derives from market inputs and prices. Other disclosures required by the standards are not deemed material.

15.11.2 Fair value of financial instruments carried at amortized cost

The fair value of long-term debt and its related current portion as of December, 31, 2020, 2019 and 2018 is $891,930,307; $701,480,932 and $707,100,000, respectively. This measurement is classified as level 2, since management uses an adjusted observable discount rate to determine fair value of debt.

Management considers that the carrying amounts of all other financial assets and other financial liabilities recognized in the consolidated financial statements approximate their fair values.

16. Transactions and balances with related parties

16.1 Compensation of key management personnel

The remuneration of Entity's management and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. The remuneration of members of key management personnel during the year was as follows:

	2020	2019	2018
Short-term benefits	$ 4,281,418	$ 5,455,377	$ 4,955,056
Share-based compensation expense	3,678,097	2,788,939	1,942,810
	$ 7,959,515	$ 8,244,316	$ 6,897,866

17. Share-based payments

17.1 Details of the share-based plans of the Entity

The Entity has granted shares to its executives and employees under two different plans as follows:

i. The trust was established in 2018 in accordance with the resolution of the general ordinary stockholders meeting on January 6, 2015 as the 20-20 Long Term Incentive Plan, this compensation plan was extended for the period 2021 to 2025, "Long Term Incentive Plan", by a resolution of the general ordinary stockholders meeting on March 13, 2020.

ii. Under the Vesta 20-20 Long-term Incentive Plan (the Vesta 20-20 Incentive Plan), as approved by the Board of Directors, the Entity used a "Relative Total Return" methodology to calculate the total number of shares to be granted. The shares granted each year will vest over the three years following the grant date.

iii. The total number of shares to be granted during the six-year period, 2015 to 2020 is up to 10,428,222 shares at the expected performance. The total number of shares to be granted during the five-year period, will be 2021 to 2025 is up to 13,750,000. In addition, the Long Term Incentive Plan. The shares will be contributed to a trust and delivered in three equal settlement dates to the executives after 12, 24 and 36 months from the grant date, provided that the eligible executives remain in the employment of the Entity.

The actual grant ranges from a minimum threshold level, an expected amount and a maximum potential grant, these levels are determined at the beginning of each fiscal year by the Corporate Practice Committee.

					Plan Parameters		
Grant Year	Shares granted in LTI	Guaranteed Shares	Cumulative Exercised Shares	Shares granted	MIN	TARGET	MAX
2015	-	-	-	-	-	1,738,037	2,600,000
2016	863,499	483,826	(1,347,325)	-	695,215	1,738,037	2,607,056
2017	637,200	944,674	(1,070,581)	511,293	695,215	1,738,037	2,607,056
2018	3,423,106	753,372	(1,392,159)	2,784,319	1,000,000	2,500,000	3,750,000
2019	3,550,449	515,706	-	4,066,154	1,000,000	2,500,000	3,750,000
Total	8,474,254	2,697,578	(3,810,065)	7,361,766			

iv. The total number of shares to be granted in each of the six years' ranges from 695,215 to 1,738,037 shares, at the expected performance level, to a maximum of 2,607,055 shares, plan parameters changed beginning 2018 to ranges from 1,000,000 to 2,500,000 shares, to a maximum of 3,750,000 shares, if the Entity's shares perform at peak performance compared to other publicly traded entities in each year.

v. Under the 2014 Long-term Incentive Plan (the 2014 Incentive Plan), the Entity has a share-based plan for 12 top executives of the Entity. In accordance with the terms of the plan, as approved by the board of directors, based on certain performance metrics, the Entity executed a long-term incentive plan that will be settled by the Entity with its own shares which have been repurchased in the market. Under this plan, eligible executives will receive compensation, based on their performance during 2014, settled in shares and delivered over a three-year period. For this plan shares are kept in treasury and may be placed in a trust; they will be delivered to the executives in three equal settlement dates to the executives after 24, 36 and 48 months from the grant date, provided that the eligible executives remain in the employment of the Entity.

vi. The Equity plus program allows employees to invest their cash incentive bonus in the Entity shares with an additional incentive provided by the Entity, this incentive follows the same delivery guidelines than the share-base payment.

17.2 Fair value of share options granted in the year

i. Vesta Long Term Incentive Plan - Based on the performance of the Entity's shares for the years ended December 31, 2020, 2019 and 2018, the shares granted were 7,361,766, 5,680,169 and 3,379,720, respectively.

ii. 2014 Incentive Plan - The fair value of the share awards granted under the 2014 Plan, was determined based on a fixed amount of cash determined as per the Entity's plan. It is assumed that executives will receive the awards after vesting date. The expense under this plan affects the cash position of the Entity.

17.3 Compensation expense recognized

The long-term incentive expense for the years ended December 31, 2020, 2019 and 2018 was as follows:

	2020	2019	2018
Long Term Incentive Plan	$ 3,678,097	$ 2,788,939	$ 1,933,246
2014 Incentive Plan	-	-	9,564
Total long-term incentive expense	$ 3,678,097	$ 2,788,939	$ 1,942,810

Compensation expense related to these plans will continue to be accrued through the end of the service period.

17.4 Share awards outstanding at the end of the year

As of December 31, 2020, y 2019, there are 7,361,766 and 5,680,169 shares outstanding with a weighted average remaining contractual life of 13 months.

18. Litigation, other contingencies and commitments

Litigation

In the ordinary course of business, the Entity is party to various legal proceedings. The Entity is not involved in any litigation or arbitration proceeding for which the Entity believes it is not adequately insured or indemnified, or which, if determined adversely, would have a material adverse effect on the Entity or its financial position, results of operations or cash flows.

Commitments

As mentioned in Note 9, all rights to construction, improvements and infrastructure built by the Entity in the Queretaro Aerospace Park and in the DSP Park automatically revert back to the government of the State of Queretaro and to Nissan at the end of the concessions, which is approximately in 42 and 35 years, respectively.

19. Subsequent events

In follow-up to the COVID-19 pandemic, as of the date of issuance of these consolidated financial statements, Vesta has not granted additional deferrals to those disclosed in Note 1.1 “Significant Events” and the measures to monitor and reduce expenses, reassessment of contracts with non-essential third parties and constant monitoring of their results. In the same way, closeness with clients is maintained to identify possible problems and negotiations. Although the duration of the COVID-19 pandemic is unknown, Vesta management considers that, to this date, there are no ongoing business problems and the real estate market trends remain similar to those of December 31, 2020.

In January 2021, Vesta sold certain land reserves in Querétaro for an approximate amount of 3.9 million dollars.

20. Financial statements issuance authorization

On February 15, 2021 the issuance of the consolidated financial statements was authorized by the Board of Directors, consequently, they do not reflect events occurred after that date. These consolidated financial statements are subject to approval at the General Ordinary Shareholders’ Meeting, where the stockholders may decide to modify such consolidated financial statements according to the Mexican General Corporate Law.

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